

# **CAMBRIDGESHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS (UNAUDITED) 2010-2011**

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# EXPLANATORY FOREWORD

## INTRODUCTION

The purpose of these accounts is to present fairly the financial results of the Council's activities for the year ended 31 March 2011, and to summarise the overall financial position of the Council as at 31 March 2011. This section provides an overview of the financial performance and position of the Council, with supporting detail set out within the following sections:

- Statement of Responsibilities (page 22)
- Statement of Accounting Policies (page 23)
- Accounting statements (pages 32-35)
- Notes to the accounts (pages 36-90)
- The Pension Fund (pages 91-101)

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 and in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11*, supported by *International Financial Reporting Standards (IFRS)*.

The purpose of the Council's published Statement of Accounts is to give interested parties – including electors, those subject to locally levied taxes and charges, Council members and employees – clear information about the Council's finances. It also allows the accounts to be comparable with other local authority accounts.

## THE STATEMENT OF ACCOUNTS

The Statement of Accounts brings together the major financial statements for the Council for the financial year 2010-11. The various sections and their contents are as follows:

### Independent Auditors' Report to Members

This reports the independent auditors' opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements, of the financial position of the Council, its income, expenditure and cash flows for the year, the financial transactions of the pension fund, the amount and disposition of the fund's assets and liabilities (other than liabilities to pay pensions) and other benefits after the end of the scheme year.

### Annual Governance Statement

This statement identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded. It is not part of the Statement of Accounts, but is required to be included alongside it in the same publication.

### Statement of Responsibilities

This statement sets out the responsibilities of the Council and identifies the officer responsible for the proper administration of the Council's finances.

### Statement of Accounting Policies

This statement outlines the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting the financial statements.

### Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council. The 'Surplus or (Deficit) on the Provision of Services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The 'Net Increase/

# EXPLANATORY FOREWORD

Decrease before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## Comprehensive Income and Expenditure Statement

This statement is fundamental to the understanding of the Council's activities as it reports the net cost for the year of all of the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The surplus or deficit on the Comprehensive Income and Expenditure Statement is the best measure of the Council's financial result for the year.

## Balance Sheet

The Balance Sheet is fundamental to the understanding of the Council's financial position at the end of the year. It shows the value as at the Balance Sheet date of the Council's current and non-current assets and liabilities, which are matched by the level of 'Usable' and 'Unusable' reserves held. Usable reserves are those resources that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that the Council is not able to use to provide services. This includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences, as shown by the 'Adjustments between accounting basis and funding basis under regulations' line in the Movement in Reserves Statement.

## Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising from

transactions with third parties for revenue and capital purposes.

## Notes to the Financial Statements

The notes to the financial statements are fundamentally important in the presentation of a true and fair view for the accounts. They present information about the basis of preparation of the financial statements and the specific accounting policies used; explain how transactions have been accounted for; and provide information that is not provided elsewhere in the financial statements, but is relevant to an understanding of them.

## Pension Fund

The objective of the pension fund financial statements is to provide information about the financial position, performance and financial adaptability of the fund. The statements show the results of the stewardship of management; that is, the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end. The Council administers this fund on behalf of all local authorities in Cambridgeshire, plus a number of other public and voluntary bodies.

## CHANGES IN ACCOUNTING POLICY

In line with the new local authority reporting requirements outlined in the 2010/11 Code of Practice, IFRS changes in accounting policy have been made. These changes are described in further detail in the *Statement of Accounting Policies* and note 1 'transition to IFRS'.

## OVERVIEW OF THE YEAR

### 1. Revenue Spending on Services

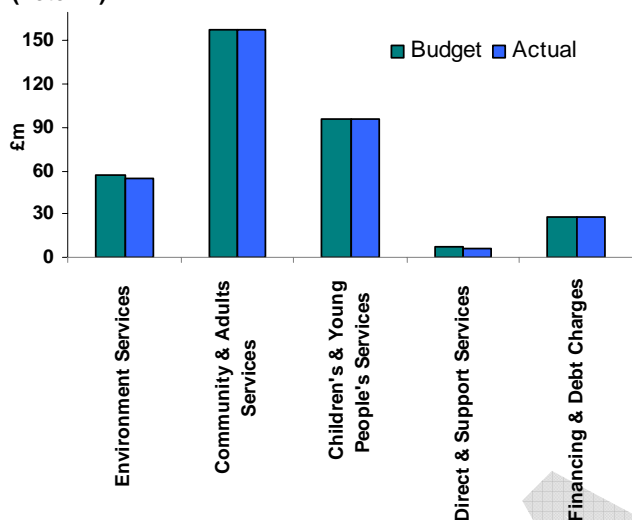
The Council's revised net service budget for the year was £339.4m. Actual spending for the year was £336.1m, some £3.3m under the revised budget.



# EXPLANATORY FOREWORD

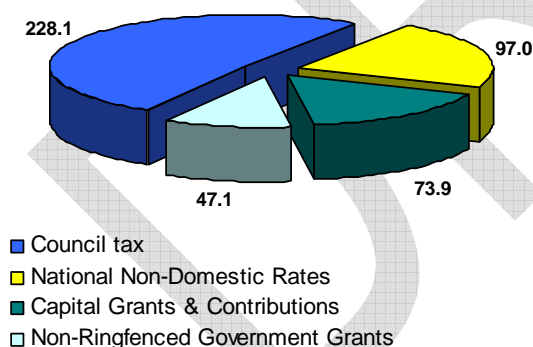
The chart below outlines how much we spent in the main service areas compared to budget:

**Budget & expenditure by Service area**  
(note 27)



The Council's net budget is mainly financed through council tax, business rates and government grant, as shown below:

**Sources of funding £m**



- **Non-Ringfenced Government Grants** is the general Revenue Support Grant paid by central government to aid local authority spending, plus any Area Based Grants.

- **National Non-Domestic Rates** are collected from businesses by the Council, pooled by central government and then redistributed to councils on a formula basis.

The Council's gross income also includes specific government grants, charges from fees, income from sales and partnership funding from other public sector bodies. The scale of this income is outlined in the income and expenditure account.

## 2. Reserves

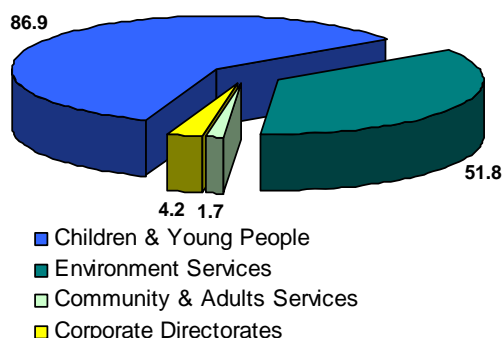
The Council's reserves provide the organisation with vital flexibility in ever-changing circumstances. At 31 March 2011, reserves available for use in this way (Earmarked Reserves and General Fund Balances only) stood at £69.4m. Of this balance, £63.3m was earmarked for specific purposes, including £23m under the control of locally managed schools and £9m to cover insurance risks. The Balance Sheet shows general reserves (i.e. General Fund Balances) at the end of 2010-11 of £6.1m, which is 1.8% of the net 2010-11 budget.

## 3. Capital Spending and Financing

The Council's revised capital budget for the year was £179.3m. Actual capital expenditure financed from capital resources for the year was £144.6m, leaving some £34.7m of the revised capital budget unspent at the year end. However, it must be noted that this is due to the timing of spending and does not represent underspends on schemes. Many capital projects span a number of years, so this simply means that expenditure has not occurred as quickly as anticipated. The chart below outlines the investments made during the financial year (in millions of pounds):

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**Capital Expenditure £m**

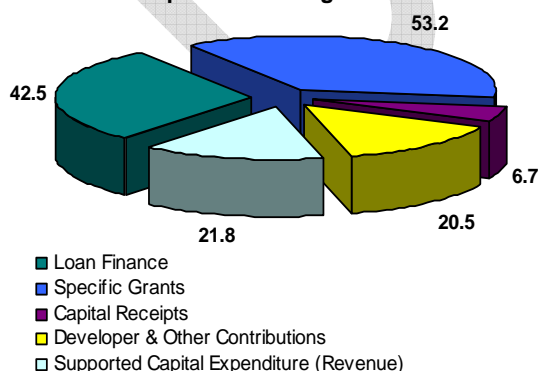


Although capital expenditure was lower than anticipated, some spending (especially on generally funded schemes) proceeded sooner than estimated. The cost of Prudential Borrowing has been factored into the 2010-11 Debt Charges outturn position, as well as being accounted for within the 2010-11 IPP.

The following chart outlines how capital expenditure was financed this year (in millions of pounds). Loan finance comprises:

- **Supported Capital Expenditure** – where the Council is allowed to borrow to fund capital investment, and receives grant in future years to meet interest and repayment costs.
- **Prudential Borrowing** – where the Council undertakes borrowing, but must meet interest and repayment costs from its own resources.

**Sources of Capital Financing £m**



## 4. External Borrowing and Investment

Total debt outstanding at the year-end was £331m, well within the maximum limit prescribed by legislation of £495m. There was a net increase of £15m in long-term loans in the year and a net increase of £20m in short term loans. £68m of temporary loans were raised to replace the cash attributable to the pension fund which, from the 1st April 2010, is required to be invested externally. New loans were raised to fund the capital programme and working capital requirements.

Cash surpluses occurring during the year have been invested in accordance with guidance issued by the government and the Council's agreed Treasury Management Strategy. The primary objective is to ensure that funds are invested prudently, with priority given to security and risk minimisation.

## CAMBRIDGESHIRE GUIDED BUSWAY

The Cambridgeshire Guided Busway is a significant capital project that will provide a fast, reliable transport link between Huntingdon, St Ives and Cambridge. The Busway will be the longest of its kind anywhere in the world and will open on the 7<sup>th</sup> August 2011.

The project has taken longer than expected to complete and the Council is currently working with an appointed contractor to rectify the outstanding issues not completed by the original contractor that have delayed the opening of the Busway. The cost of remedial work will be charged to the original contractor.

The project is expected to cost £121.2m following the application of the risk share mechanism within the contract. The Government has contributed £92.5m towards

## EXPLANATORY FOREWORD

construction costs with the remainder coming from developer contributions.



### LOCAL GOVERNMENT SHARED SERVICE

On the 1st October 2010, Cambridgeshire County Council (CCC) and Northamptonshire County Council (NCC) created a Local Government Shared Service (LGSS) to establish a wholly owned public sector organisation to deliver high performing support services at optimal cost.

The LGSS is delivered through a Joint Committee with its own management team, but with its strategic direction being defined by both Councils.

The benefits of LGSS are:

- Reducing the net cost of change for each authority – as transformation activity can be undertaken once and the outputs shared for each organisation, reducing the relative implementation costs;
- Providing a vehicle to deliver services to other organisations – LGSS could use its capacity to deliver services to other organisations, such as district councils;
- Providing an effective alternative to outsourcing – the LGSS organisation will be focused on the optimisation and efficiency of the services it provides, in a similar way to private sector outsourcing companies;

- Improved controls though consolidation and process standardisation – rationalising processes into a transaction processing centre will allow more effective management of processes and as a result improve controls;
- Improved management reporting – allows collection and analysis of standardised data within each organisation, improving the ability to measure performance, monitor and manage the resources maintained within the Enterprise Resource Planning (ERP) system;
- Creating an environment to share and implement good practice across the councils - our analysis has identified a number of areas where the councils can learn from each other, in addition to benefiting from shared administrative services.



# LGSS

***"We understand your business"***

### BUILDING SCHOOLS FOR THE FUTURE

Building Schools for the Future (BSF) was conceived as a national programme that would bring all secondary schools up to modern standards over the next 15-20 years.

Cambridgeshire Building Schools for the Future (BSF) project will create transformed schools reflecting the vision, hopes and aspirations of all who will look to these schools for their learning, local services, leisure and cultural opportunities as well as those who will work with and for the local communities in the schools.



# EXPLANATORY FOREWORD

The Authority signed a contract in May 2010 for BSF provision in Fenland. This covers 4 secondary schools, 1 special school and 1 pupil referral unit. One of the secondary schools, Thomas Clarkson is being constructed under a Private Finance Initiative project, with work on the remaining schools done through standard design & build contracts. Progress on each school is as follows:

- Thomas Clarkson - under construction and expected to be operational from January 2012.
- Neale Wade - under construction and expected to be operational from September 2011.



- Cromwell / Sir Harry Smith / Meadowgate - final funding has been agreed and the design process is underway. Expected to open in January 2014.
- Fenland PRU - awaiting confirmation of final funding before design stage. Due to open in January 2014.

## PENSIONS

The accounts reflect the underlying commitment that the Council has to pay future retirement benefits for its employees. This information has been compiled by the fund's actuary in accordance with the

International Accounting Standard 19 Employee Benefits (IAS 19).

The estimated pension liability, measured on an actuarial basis, has decreased from £510m at 1 April 2010 to £308m at 31 March 2011. The deficit will be made good by increased employer contributions over the remaining working life of employees, as assessed by the actuary.

## CONCLUSION

I am extremely grateful to all the finance staff across the Council for the support and enthusiasm that they have brought to the many and challenging tasks they have faced, and who have worked hard to close the accounts to a demanding timescale.

Director of Finance

## FURTHER INFORMATION

Further information about the Statement of Accounts can be obtained from the LGSS Strategic Finance Manager (Corporate Finance):

Address: RES 1211, Shire Hall,  
Castle Hill, Cambridge,  
CB3 0AP

Telephone: 01223 715333

Email:  
corporate.finance@cambridgeshire.gov.uk

## INDEPENDENT AUDITORS' REPORT

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The independent auditors report will form part of the audited Statement of Accounts that will be published in September.

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# INDEPENDENT AUDITORS' REPORT

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# INDEPENDENT AUDITORS' REPORT

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# ANNUAL GOVERNANCE STATEMENT

## SCOPE OF RESPONSIBILITY

Cambridgeshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at:

[www.cambridgeshire.gov.uk/council/democracy](http://www.cambridgeshire.gov.uk/council/democracy)

This statement explains how the Council has complied with the Code and also meets the requirements of The Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

## THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The Governance Framework comprises the systems and processes, and culture and values, by which the Council is directed and

controlled and the activities through which it accounts to, engages with and, where appropriate, leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at the Council for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

## THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are:

- Members exercising strategic leadership by developing and keeping under review the Council's vision and priorities which are set in the context of Cambridgeshire Together's Countywide Vision for Cambridgeshire 2007 to 2021. These set out and communicate the Council's vision of its purpose and intended outcomes for citizens and service users;

# ANNUAL GOVERNANCE STATEMENT

- An established Integrated Planning Process which ensures that services are delivered in accordance with the Council's objectives and represents the best use of resources;
- Measuring performance in achieving objectives through the mechanisms of the Corporate Balanced Scorecard and the Council's performance management system;
- Having a written Constitution which specifies the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
- Having developed and embedded Codes of Conduct which define the standards of behaviour for members and employees;
- Setting out within the Constitution Schemes of Delegation to members and officers, Financial Procedure Rules and other supporting procedures which clearly define how decisions are taken and the processes and controls required to manage risks; and having in place arrangements to ensure these are reviewed regularly;
- Having an Audit and Accounts Committee which is responsible for independent assurance on the adequacy of the risk management framework and the associated control environment; the independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment; and for overseeing the financial reporting process;
- Appointing statutory officers to support and monitor the Council's governance arrangements, ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;
- Having embedded arrangements for Whistleblowing and for receiving and investigating complaints from the public, supporting the measurement of the quality of services for users;
- Having a programme of actions which aims to keep communities informed; support people to be involved in their local communities; promote local democracy; support communities in shaping places and services; improve the Council's understanding of how communities work and coordinate community engagement activity.
- Providing a Partnership Toolkit which gives guidance about the appropriate governance standards for partnerships.

## REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. The review of effectiveness is informed by assurances of executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Audit and Risk Management's annual report, and also by the comments made by external auditors and other review agencies and inspectorates.

The Governance Framework and its constituent elements have been developed by executive managers and consulted upon with

# ANNUAL GOVERNANCE STATEMENT

all Members, the Audit and Accounts Committee, the Standards Committee and the Corporate Leadership Team, as appropriate. The Governance Framework links closely to the Assurance Framework, which brings together the work of both internal review mechanisms and external review agencies, and is reviewed regularly by the Audit and Accounts Committee.

The arrangements for reviewing the Governance Framework comprise:

- A comprehensive review of the entire Governance Framework and Internal Control Environment in accordance with CIPFA guidance, carried out by Internal Audit annually. Within this, consideration has been given to ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA statements on the role of the Chief Financial Officer in Local Government and the role of the Head of Internal Audit in Public Service Organisations.
- The annual report and opinion on the Internal Control Environment prepared by the Head of Audit and Risk Management. This report draws upon the outcome of audit reviews undertaken throughout 2010/2011 and is informed by the comments of external auditors and inspectors. The report is designed to provide assurance on the effectiveness of internal controls. A review of the effectiveness of the system of internal audit has confirmed that work of Internal Audit may be relied upon as a key source of evidence supporting this Annual Governance Statement.
- The completion of internal Assurance Statements by Directors.
- The consideration of the outputs from Member and officer led reviews undertaken during the year, and the comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

A review of actions undertaken in response to the 2009/2010 Annual Governance Statement has indicated progress as follows:

- A service-based 'policy network' has been created to develop a coherent approach to strategy and policy;
- Delivery of the Community Engagement Strategy has been monitored by the Programme Board contributing to emerging work on the Localism Agenda;
- A draft Member Development Policy and Member Role Descriptions have been created;
- Work on the implementation of new legislative requirements is ongoing in anticipation of the Localism Bill becoming law early in 2012;
- The Integrated Planning Process was reviewed in discussion with Cabinet and SMT. Changes have been made to improve presentation;
- A review of the Council's Performance Management System was undertaken, focusing on targets, presentation and integration with the Integrated Plan;
- A new risk management policy has been implemented;
- A portfolio approach to programme governance was successfully embedded. All projects are now corporately monitored by a Portfolio Manager, with a key focus of managing the complete Council portfolio;
- The Social Care Improvement Plan was fully implemented and reported to Social Care Performance Board, CCC Scrutiny and LSCB;



# ANNUAL GOVERNANCE STATEMENT

- A revised Section 75 agreement is in place and governance, accountability and oversight have been strengthened through a new monthly Officer group;
- Risk management has been embedded within the Guided Busway project and regular oversight provided by Internal Audit;
- Shared Services was launched and is operating successfully through a Joint Committee arrangement;
- Audits of schools show improvement in Health and Safety since 2009/10;
- Business Continuity policy has been developed in alignment with BS 25999;
- The Pension Fund investment strategy was reviewed, resulting in minor changes to the portfolio;
- A new Procurement Strategy was agreed by Cabinet;
- A Fraud Awareness week was delivered successfully;
- The majority of actions agreed as a result of work by Internal Audit, Scrutiny and External Review Agencies have been implemented.

The following actions have been updated and carried forward to the 2010/11 action plan:

- Continue work aimed at achieving the Elected Member Development Charter;
- Broaden the use of the Council's performance management system helping drive forward the performance management culture in the organisation;
- Continue to strengthen effective management of Health and Safety in Schools, particularly through roll-out of the self-assessment package currently under development;
- Continue to improve arrangements for safe recruitment and employment, particularly in respect of arrangements for use of volunteers;

- Take forward work to further define and integrate the Council's business continuity planning arrangements aligning them with best practice, including further development of IT resilience arrangements;
- Improve the Council's approach to procurement and contract management; Implement recommendations from the Monitoring Officer's review of Part 3 of the Constitution concerning arrangements for decision making.

## SIGNIFICANT GOVERNANCE ISSUES

The review of the effectiveness of the Governance Framework has provided a satisfactory level of assurance on the effectiveness of the Council's governance arrangements. Arrangements in place comply with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Internal Audit has provided ongoing assurance on the Guided Busway, reporting to the Committee twice during 2010/11. Led by the Chief Executive, the Council has made concentrated efforts to resolve the issues related to delivery of the Guided Busway and to take every possible action to ensure risks in this area are managed effectively. As the project now nears delivery, risks now transfer to successful negotiation of issues with the contractor.

Along with all other Councils, Cambridgeshire faces very significant future challenges and difficulties in continuing to deliver services and meet its obligations and objectives.

Cambridgeshire recognises that the programme of policy and legislative change emerging from the Coalition Government may mean considerable changes in the Council's range of responsibilities and the ways in which the Council is expected to take these forward.



# ANNUAL GOVERNANCE STATEMENT

The Corporate Risk Register, a key part of the Governance Framework, assists the Council in identifying and managing these challenges. Moreover, the Council recognises that its entire Governance Framework needs to be sufficiently robust to help the Council move forward successfully during this testing period.

Within this general heightened focus there are some specific areas for improvement relating to both governance and internal control that have been identified following the annual review of arrangements that are considered to be important for action:

<b>ACTION</b>	<b>Target date</b>	<b>Officer responsible</b>	<b>Portfolio-holder responsible</b>
<b><i>Governance related areas</i></b>			
Maintain an overview of the emerging programme of policy and legislation being developed by the new Government, developing appropriate responses and adjusting medium term plans as necessary	March 2012	Chief Executive	Leader of the Council
Continue work aimed at achieving the Elected Member Development Charter	March 2012	Corporate Director Customer Service and Transformation	Cabinet Member for Resources and Performance
Implement requirements of new national legislation with governance implications, for example, the Bribery Act	March 2012	LGSS Director of Legal Services	Cabinet Member for Resources and Performance
Broaden the use of the Council's performance management system helping drive forward the performance management culture in the organisation	March 2012	LGSS Director of Finance	Cabinet Member for Resources and Performance
Strengthen the financial monitoring and benefits realisation elements of the Council's approach to programme and project management, particularly areas of significant transformation	March 2012	Corporate Director Customer Service and Transformation	Cabinet Member for Resources and Performance
Implement recommendations from the Monitoring Officer's review of Part 3 of the Constitution concerning arrangements for decision making	March 2012	LGSS Director of Legal Services	Cabinet Member for Resources and Performance

# ANNUAL GOVERNANCE STATEMENT

ACTION	Target date	Officer responsible	Portfolio-holder responsible
<b><i>Internal control related areas</i></b>			
Ensure continuation of risk management arrangements in respect of Guided Busway	March 2012	Service Director Growth and Infrastructure	Cabinet Member for Growth and Planning
Embed arrangements in respect of Local Government Shared Services	March 2012	LGSS Director of Finance	Cabinet Member for Resources and Performance
Continue to strengthen arrangements for overseeing the effective management of Health and Safety in Schools	March 2012	Service Director Strategy and Commissioning	Cabinet Member for Learning
Continue to improve arrangements for safe recruitment and employment, particularly in respect of arrangements for use of volunteers	March 2012	LGSS Director of HR and OD	Cabinet Member for Resources and Performance
Take forward work to develop the Council's business continuity plan and carry out a business continuity exercise	March 2012	Corporate Director Customer Service and Transformation	Cabinet Member for Resources and Performance
Embed the Council's updated approach to procurement and contract management	March 2012	LGSS Director of Finance	Cabinet Member Resources and Performance
Implement actions agreed as a result of work by Internal Audit, Scrutiny and External Review Agencies	March 2012	Corporate Leadership Team	Leader of the Council
Strengthen financial management in schools, particularly in respect of arrangements for budgetary control	March 2012	Service Director Strategy and Commissioning	Cabinet Member for Learning

# ANNUAL GOVERNANCE STATEMENT

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## LEADER OF THE COUNCIL AND CHIEF EXECUTIVE STATEMENT

We have been advised on the result of the review of the effectiveness of the Governance Framework by the Audit and Accounts Committee.

We propose over the coming year to take steps to address the above matters to further enhance our governance and internal control arrangements. We are satisfied that these steps will address the planned improvements and will monitor their implementation and operation as part of our next annual review.

Councillor N Clarke  
Leader of the Council

Mark Lloyd  
Chief Executive

July 2011

# STATEMENT OF RESPONSIBILITIES CERTIFICATE OF ACCOUNTS

## STATEMENT OF RESPONSIBILITIES

### THE RESPONSIBILITIES OF THE COUNCIL

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director (Finance, Property and Performance);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

### THE RESPONSIBILITIES OF THE CORPORATE DIRECTOR (FINANCE, PROPERTY AND PERFORMANCE)

The Corporate Director (Finance, Property and Performance) is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom*.

In preparing this statement of accounts, the Corporate Director (Finance, Property and Performance) has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Corporate Director (Finance, Property and Performance) has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## CERTIFICATE OF ACCOUNTS

I certify that this draft, unaudited statement of accounts presents a true and fair view of the financial position of the Council on 31 March 2011 and its income and expenditure for the year 2010-11, and authorise the accounts for issue.



Director of Finance

Date: 13 July 2011

# STATEMENT OF ACCOUNTING POLICIES

## GENERAL PRINCIPLES

These accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11* and the *Best Value Accounting Code of Practice 2010/11*, supported by *International Financial Reporting Standards*. The accounts are prepared on a historical cost basis, modified by the revaluation of certain categories of non-current assets.

## ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## PROPERTY, PLANT AND EQUIPMENT

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis.

Infrastructure and community assets have been included in the Balance Sheet at historic cost. Assets other than infrastructure and community assets have been included in the Balance Sheet at their fair value based on existing use, or depreciated replacement cost where there is no market-based evidence of fair value. The valuation of the farms estates is based on a discounted cash flow of future rental income and capital receipts. Assets identified as surplus to requirements are measured at net realisable value.

Assets included in the Balance Sheet at fair value are revalued by component every five years by an internal valuer with a Royal Institution of Chartered Surveyors (RICS) qualification. External valuers are also engaged to value a percentage of assets to provide moderation. This process is to ensure that the carrying amount of individual assets is not materially different from their fair value at year-end. Asset components are split at



# STATEMENT OF ACCOUNTING POLICIES

high level into Land and Buildings, with the buildings element further subdivided in order to be depreciated over appropriate estimated useful lives.

New acquisitions are brought into the accounts at cost and revalued in the following year. Assets with a value less than £20,000 and all non-PFI vehicles and equipment are charged to the Comprehensive Income and Expenditure Statement. Asset that are subject to part disposals are revalued in the year of disposal.

## CAPITAL ACCOUNTING

Two reserve accounts are required in the Council's Balance Sheet for capital accounting adjustments:

- **The Revaluation Reserve**, which represents the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets together with the net book value of assets disposed. The Revaluation Reserve contains only gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account; and
- **The Capital Adjustment Account**, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans.

The above accounts are not available to fund future expenditure.

## CAPITAL RECEIPTS

When an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from

disposals (if any) are credited to the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal. The gain or loss on the disposal of a fixed asset is the amount by which the disposal proceeds are more (gain) or less (loss) than the carrying amount of the fixed asset.

Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Income that is not reserved for the repayment of external loans and has not been applied in financing capital expenditure is shown on the Balance Sheet within the Usable Capital Receipts Reserve.

## CHARGES TO REVENUE FOR FIXED ASSETS

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off; and
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement).

# STATEMENT OF ACCOUNTING POLICIES

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## DEPRECIATION

Land is held at fair value and not depreciated. Property, Plant and Equipment assets other than land are depreciated over their useful economic lives using the straight-line method for buildings, plant and equipment, and the reducing balance method for infrastructure. Useful economic lives are as follows:

- Buildings - 5 to 50 years
- Vehicles, Plant, Furniture and Equipment - 3 to 26 years
- Infrastructure - 40 years

Upon a review of asset lives, depreciation is calculated over the revised remaining useful life of the asset.

## INTANGIBLE ASSETS

This represents expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences). This expenditure is capitalised when it will bring benefits to the Council. The balance is amortised to the relevant service revenue account over the economic life of the asset to reflect the pattern of consumption of benefits.

## FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus any accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Comprehensive Income and Expenditure Statement in the year of repurchase/ settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing financial instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

# STATEMENT OF ACCOUNTING POLICIES

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## FINANCIAL ASSETS

Financial assets are classified into two types:

- **Loans and receivables:** assets that have fixed or determinable payments but are not quoted in an active market; and
- **Available-for-sale assets:** assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past

event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Comprehensive Income and Expenditure Statement.

## GOVERNMENT GRANTS

Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

# STATEMENT OF ACCOUNTING POLICIES

## LONG-TERM CONTRACTS

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## PRIVATE FINANCE INITIATIVE (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contract at no additional charge, the Council carries the fixed assets used under the contracts on the Balance Sheet.

The original recognition of these assets is at historic cost and subsequently at fair value in existing use. This is matched by the recognition of an equivalent liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts paid to the PFI operator each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- Life cycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

## FINANCE LEASES

Property, plant and equipment held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at fair value, measured at the lease's inception (or the present value of the minimum lease payments, if lower). Initial direct costs of the Council are added to the carrying amount of the asset.

Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment and a finance charge.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is



# STATEMENT OF ACCOUNTING POLICIES

made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## OPERATING LEASES

Rentals payable are charged to the Comprehensive Income and Expenditure Statement on a straight-line basis over the term of the lease, even if this does not match the pattern of payments.

## EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Material events that relate to conditions that did not exist at the Balance Sheet date are disclosed by way of a note to the accounts.

## INVENTORIES

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

## CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition, and that are readily convertible to known amounts of cash with insignificant risk

of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## RETIREMENT BENEFITS

Employees of the Council are members of two separate pension schemes:

- **The Teachers' Pension Scheme**, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF); and
- **The Local Government Pension Scheme**, administered by Cambridgeshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

However, arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year.

### The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme as follows:

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that



# STATEMENT OF ACCOUNTING POLICIES

will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees;

- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on an index of AA rated corporate bonds with maturities in excess of 15 years);
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - ▶ quoted securities – market value
  - ▶ unquoted securities – professional estimate
  - ▶ unitised securities – average of the bid and offer rates
  - ▶ property – market value;
- The change in the net pensions liability is analysed into seven components:
  - ▶ **Current service cost:** the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - ▶ **Past service cost:** the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement;
  - ▶ **Interest cost:** the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;
  - ▶ **Expected return on assets:** the annual investment return on the fund assets attributable to the Council,

based on an average of the expected long-term return – credited to Financing and investment income and Expenditure in the Comprehensive Income and Expenditure Statement;

- ▶ **Gains/losses on settlements and curtailments:** the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement;
- ▶ **Actuarial gains and losses:** changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement; and
- ▶ **Contributions paid to the pension fund:** cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. This means that there are appropriations to and from the Pensions Reserve in the Movement in Reserves Statement to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable but unpaid at the year-end.

# STATEMENT OF ACCOUNTING POLICIES

## ALLOCATION OF SUPPORT SERVICE COSTS

Central administrative expenses are charged to users based on the cost of the service provided. Where the level of service is under the control of the Service Director, a specific charge for that service is made. No recharges are made for costs that are classified as Corporate and Democratic Core or non-distributed costs.

## RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts through the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept solely to manage the accounting processes for non-current assets, financial instruments, employee benefits and council tax adjustments, and do not represent usable resources for the Council.

## DEBT REDEMPTION

The Council is required to make a provision for the repayment of debt in accordance with guidance issued by the Secretary of State. From 2011-12 onwards the Council will only make a provision to repay debt on assets that are complete. Under option 3 of the guidance, charges will be spread over the estimated life of the asset in equal instalments.

## PROVISIONS

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that will probably require settlement by a transfer of economic benefits or service potential, and where a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

## VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

## PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to

# STATEMENT OF ACCOUNTING POLICIES

correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## ACCOUNTING FOR COUNCIL TAX

In England, billing authorities act as agents on behalf of major preceptors in collecting council tax. This is because the legislative framework for the Collection Fund states that billing authorities and major preceptors share proportionately:

- the risks and rewards that the amount of council tax collected could be less or more than predicted;
- the effect of any bad debts written off;
- the movement in the impairment provision.

The Council, as a major preceptor is therefore required to include the appropriate share of the Council Tax debtors in its Balance Sheet as well as an appropriate share of the Collection Fund surplus/deficit for the year within its Comprehensive Income and Expenditure Statement.

# MOVEMENT IN RESERVES STATEMENT

	General Fund	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves Total	Unusable Reserves Total	Authority Reserves Total
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2009</b>	<b>9,453</b>	<b>39,355</b>	<b>1,550</b>	<b>25,083</b>	<b>75,441</b>	<b>837,367</b>	<b>912,808</b>
Movement in reserves during 2009/10:							
Surplus or (deficit) on the provision of services	-2,794	0	0	0	-2,794	0	-2,794
Other Comprehensive Income and Expenditure	815	0	0	0	815	-165,627	-164,812
<b>Total Comprehensive Income and Expenditure</b>	<b>-1,979</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,979</b>	<b>-165,627</b>	<b>-167,606</b>
Adjustments between accounting basis & funding basis under regulations	8,356	0	-1,189	10,043	17,210	-17,210	0
<b>Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>6,377</b>	<b>0</b>	<b>-1,189</b>	<b>10,043</b>	<b>15,231</b>	<b>-182,837</b>	<b>-167,606</b>
Transfers to/from Earmarked Reserves	-7,147	2,945	0	0	-4,202	4,202	0
<b>Increase/Decrease in 2009/10</b>	<b>-770</b>	<b>2,945</b>	<b>-1,189</b>	<b>10,043</b>	<b>11,029</b>	<b>-178,635</b>	<b>-167,606</b>
<b>Balance at 31 March 2010 carried forward</b>	<b>8,683</b>	<b>42,300</b>	<b>361</b>	<b>35,126</b>	<b>86,470</b>	<b>658,732</b>	<b>745,202</b>
Movement in Reserves during 2010/11:							
Surplus or (deficit) on provision of services	101,898	0	0	0	101,898	0	101,898
Other Comprehensive Income and Expenditure	0	0	0	0	0	195,358	195,358
<b>Total Comprehensive Income and Expenditure</b>	<b>101,898</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>101,898</b>	<b>195,358</b>	<b>297,256</b>
Adjustments between accounting basis & funding basis under regulations	-99,577	17,207	0	-6,490	-88,860	88,860	0
<b>Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>2,321</b>	<b>17,207</b>	<b>0</b>	<b>-6,490</b>	<b>13,038</b>	<b>284,218</b>	<b>297,256</b>
Transfers to/from Earmarked Reserves	-4,863	3,781	1,082	0	0	0	0
<b>Increase/Decrease in Year</b>	<b>-2,542</b>	<b>20,988</b>	<b>1,082</b>	<b>-6,490</b>	<b>13,038</b>	<b>284,218</b>	<b>297,256</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>6,141</b>	<b>63,288</b>	<b>1,443</b>	<b>28,636</b>	<b>99,508</b>	<b>942,950</b>	<b>1,042,458</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2009/10			2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,254	-1,331		2,115	-1,204	911
64,108	-25,059	39,049	80,047	-24,829	55,218
558,623	-437,737	120,886	539,083	-465,106	73,977
47,200	-15,430		51,668	-12,855	38,813
217,428	-70,176	147,252	244,754	-79,234	165,520
649	0	649	601	-1	600
22,181	-16,642	5,539	11,982	-13,173	-1,191
652	0	652	-109,766	-187	-109,953
<b>913,095</b>	<b>-566,375</b>	<b>346,720</b>	<b>820,484</b>	<b>-596,589</b>	<b>223,895</b>
37,506	0	37,506	88,769	0	88,769
29,415	-219	29,196	32,002	-438	31,564
197	-411,623	-411,426	261	-446,386	-446,125
		1,996			-101,897
		-97,468			-93,978
		0			0
		263,078			-101,381
		165,610			-195,359
		167,606			-297,256

<sup>1</sup> See note 6 'Material Items of Income and Expenditure'

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.



# BALANCE SHEET AS AT 31 MARCH 2011

01-Apr-09 £000	31-Mar-10 £000		Note number	31-Mar-11 £000
1,452,302	1,635,233	Property, Plant & Equipment	13	1,750,752
779	391	Intangible Assets	14	0
0	0	Assets Held for Sale	17	0
2,237	2,277	Long Term Debtors	15	2,344
<b>1,455,318</b>	<b>1,637,901</b>	<b>Long Term Assets</b>		<b>1,753,096</b>
19,831	4,173	Assets Held for Sale	17	16,938
333	466	Inventories		496
90,541	121,467	Short Term Debtors	18	126,470
2,381	39,151	Cash and Cash Equivalents	19	29,047
<b>113,086</b>	<b>165,257</b>	<b>Current Assets</b>		<b>172,951</b>
-25,199	-35,524	Cash and Cash Equivalents	19	-10,915
-50,051	-32,132	Short Term Borrowing	16	-62,010
-127,523	-130,854	Short Term Creditors	20	-144,514
-1,369	-1,800	Provisions	21	-3,470
0	0	Liabilities in Disposal Groups		0
<b>-204,142</b>	<b>-200,310</b>	<b>Current Liabilities</b>		<b>-220,909</b>
-4,849	-3,723	Provisions	21	-3,913
-171,543	-264,744	Long Term Borrowing	16	-269,831
-244,806	-562,869	Other Long Term Liabilities	41	-361,436
-30,256	-26,310	Capital Grants Receipts in Advance		-27,500
<b>-451,454</b>	<b>-857,646</b>	<b>Long Term Liabilities</b>		<b>-662,680</b>
<b>912,808</b>	<b>745,202</b>	<b>Net Assets</b>		<b>1,042,458</b>
75,441	86,470	Usable Reserves	22	99,508
837,367	658,732	Unusable Reserves	23	942,950
<b>912,808</b>	<b>745,202</b>	<b>Total Reserves</b>		<b>1,042,458</b>

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Council, and the net assets (assets less liabilities) are matched by the level of reserves held by the Council. 'Usable' reserves are those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). 'Unusable' reserves are those that are not able to be used to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts only become available to provide services if assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

# CASH FLOW STATEMENT

2009-10 £000		2010-11 £000
-32,183	Net surplus or (deficit) on the provision of services	101,898
26,172	Adjustments to net surplus or deficit on the provision of services for non cash movements	-74,045
10,008	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	17,460
<b>3,997</b>	<b>Net cash flows from Operating Activities (Note 24)</b>	<b>45,313</b>
-91,564	Investing Activities (Note 25)	-47,936
114,012	Financing Activities (Note 26)	17,128
<b>26,445</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>14,505</b>
-22,818	Cash and cash equivalents at the beginning of the reporting period	3,627
<b>3,627</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<b>18,132</b>

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1. TRANSITION TO IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Balance Sheet at the 31<sup>st</sup> March 2009 and the 2009/10 financial statements.

The following notes and tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

### 1. Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay and employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Following a sampling exercise, the total calculated accrual for 2009-10 was £18.2m, of which £17.0m related to teaching staff (due to how the teachers annual leave year is scheduled and the number of days required to be accrued for teaching staff depending on how the spring term end date corresponds to the 31<sup>st</sup> March).

# NOTES TO THE CORE FINANCIAL STATEMENTS

Opening 1 <sup>st</sup> April 2009 Balance Sheet	2008-09 £000	Adjustments £000
Accruals	0	-15,904
Accumulated Absences Account	0	15,904
31 <sup>st</sup> March 2010 Balance Sheet	2009-10 £000	Adjustments £000
Accruals	0	-18,207
Accumulated Absences Account	0	18,207
2009/10 Comprehensive Income & Expenditure Statement	2009-10 £000	Adjustments £000
Central services to the public	907	-1
Cultural, environmental, regulatory and planning services	38,957	16
Education and children's services	119,575	2,207
Highways and transport services	31,764	17
Adult social care	147,185	63
Court services	649	0
Corporate and democratic core	5,438	1
Non distributed costs	652	0

## 2. Assets Held For Sale

For assets to be classified as held for sale under the code, the following criteria have to be met:

- The asset must be available for immediate sale in its present condition
- The sale must be highly probable; management must be committed to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

In the event that the criteria under the Code have not been met as at 31 March 2009, the asset(s) held for sale require reclassification to non-current assets (i.e. Property, Plant and Equipment or Investment Property) with the carrying amount of the asset adjusted to the level it would have been before the asset was classified as held for sale. Where the criteria are met, assets are reclassified from surplus assets held for disposal to held for sale, with values adjusted in accordance with that of the requirements of the Code.

A review of balances on the general ledger was carried out and a number of assets have been identified as being misclassified when tested against key IFRS criteria. Anything identified as no longer held for sale or previously not considered as surplus but now is, has been appropriately

# NOTES TO THE CORE FINANCIAL STATEMENTS

reclassified to or from property, plant and equipment. This has had minimal impact on the bottom line of the accounts at transition (i.e. £879k taken to the Capital Adjustment Account (CAA)), but has reclassified £4.5m of land and buildings to current assets.

<b>Opening 1<sup>st</sup> April 2009 Balance Sheet</b>	<b>2009-10 £000</b>	<b>Adjustments £000</b>
Land and buildings	814,180	-5,240
Surplus assets, held for disposal	15,470	-15,470
Current assets held for sale	0	19,831
Capital Adjustment Account	643,480	879
<b>31<sup>st</sup> March 2010 Balance Sheet</b>	<b>2009-10 £000</b>	<b>Adjustments £000</b>
Land and buildings	918,566	670
Surplus assets, held for disposal	14,585	-14,585
Current assets held for sale	0	13,775
Capital Adjustment Account	611,330	140
<b>2009/10 Comprehensive Income &amp; Expenditure Statement</b>	<b>2009-10 £000</b>	<b>Adjustments £000</b>
Central services to the public	907	0
Cultural, environmental, regulatory and planning services	38,957	7
Education and children's services	119,575	-843
Highways and transport services	31,764	-9
Adult social care	147,185	5
Court services	649	0
Corporate and democratic core	5,438	100
Non distributed costs	652	0

## 3. Capital Grants & Contributions Unapplied

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The £314.7m balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Analysis of capital grants unapplied identified balances totaling £3.8m with conditions attached. These have been transferred from Capital Grants Unapplied to Capital Grants Receipts in Advance.



# NOTES TO THE CORE FINANCIAL STATEMENTS

- Analysis of capital contributions unapplied identified £26.2m relating to Section 106 agreements which have been transferred from Capital Contributions Unapplied to Capital Contributions Receipts in Advance.

This has resulted in the following changes being made to the 2009/10 financial statements:

<b>Opening 1<sup>st</sup> April 2009 Balance Sheet</b>	<b>2008-09 £000</b>	<b>Adjustments £000</b>
Government Grants Deferred Account	-314,738	314,738
Capital Grants & Contributions Receipts in Advance	0	-30,256
Capital Grants & Contributions Unapplied	-55,338	55,338
Capital Grants Unapplied Reserve	0	-25,082
Capital Adjustment Account	643,480	-314,738
<b>31<sup>st</sup> March 2010 Balance Sheet</b>	<b>2009-10 £000</b>	<b>Adjustments £000</b>
Government Grants Deferred Account	-356,713	356,713
Capital Grants & Contributions Receipts in Advance	0	-34,587
Capital Grants & Contributions Unapplied	-69,712	69,712
Capital Grants Unapplied Reserve	0	-35,125
Capital Adjustment Account	611,330	-356,713
<b>2009/10 Comprehensive Income &amp; Expenditure Statement</b>	<b>2009-10 £000</b>	<b>Adjustments £000</b>
Taxation & Non-Specific Grant Income	-351,132	-52,018

## 4. Other Adjustments

The table below outlines the remaining adjustments that reconcile the Balance Sheet at the 31<sup>st</sup> March 2009 and the 2009/10 financial statements, to the transition balance sheet and the restated 2009/10 statements prepared under the Code. These figures represent the cumulative non-material adjustments relating to areas such as lease arrangements and provisions that did not merit individual disclosure:

# NOTES TO THE CORE FINANCIAL STATEMENTS

Opening 1 <sup>st</sup> April 2009 Balance Sheet	2008-09 £000	Adjustments £000
Land and buildings	814,180	-706
Debtors	75,927	361
Provisions – short term	0	-1,369
Provisions – long term	-6,218	1,369
Long term finance lease liability	-2,114	-385
Useable Capital Receipts Reserve	1,189	-361
Revaluation Reserve	139,161	-55
Capital Adjustment Account	643,480	1,146
31 <sup>st</sup> March 2010 Balance Sheet	2009-10 £000	Adjustments £000
Land and buildings	918,566	-733
Debtors	109,466	361
Provisions – short term	0	-1,800
Provisions – long term	-5,523	1,800
Long term finance lease liability	-51,379	-282
Useable Capital Receipts Reserve	0	-361
Revaluation Reserve	241,754	-55
Capital Adjustment Account	611,330	1,070
2009/10 Comprehensive Income & Expenditure Statement	2009-10 £000	Adjustments £000
Central services to the public	907	16
Cultural, environmental, regulatory and planning services	38,957	70
Education and children's services	119,575	-100
Highways and transport services	31,764	-3
Adult social care	147,185	0
Court services	649	0
Corporate and democratic core	5,438	0
Non distributed costs	652	0

## 2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

### Carbon Reduction Commitment

The Carbon Reduction Commitment (CRC) is a new mandatory UK emissions trading scheme. CRC will be compulsory for all organisations whose mandatory half hour metered electricity consumption is greater than 6,000 MWh a year. As Cambridgeshire County Council's half hour supplied electricity is in the order of 15,000 MWh it will be required to participate in the scheme.

All energy other than transport fuels must be included in an annual return to the Department for Environment Food and Rural Affairs (Defra). The amount of Carbon Dioxide (CO<sub>2</sub>) resulting

## NOTES TO THE CORE FINANCIAL STATEMENTS

from energy consumption will determine the number of carbon credits that have to be purchased during the first year of the scheme.

During the introductory phase, which started in January 2010, all carbon allowances will be sold at a fixed price. In subsequent phases the carbon allowances will be allocated through auctions with a diminishing number of credits available each year.

At the end of each year, the Council's performance will be summarised in a league table of all participating organisations. This will highlight the best and worst performers in terms of carbon emissions and reduction. To reduce the cost of participating in the CRC, it will be in the Council's interest to minimise its carbon footprint as quickly as possible.

### Heritage assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 has introduced a change in accounting policy in relation to the treatment of heritage assets. Heritage assets are assets that are held principally for their contribution to knowledge or culture, for example, art collections, ceramics and historical artefacts. The new standard will require that heritage assets are disclosed separately on the face of the Council's Balance Sheet in 2011-12 Statement of Accounts. The Council is also required to make disclosure of the estimated effect of the standard in respect to 2010-11.

Currently, the heritage assets controlled by the Council have the following values:

Collection	Value £000
Cambridge Collection	14,402
Cromwell Museum and Hinchingsbrooke House	1,913
Huntingdon Collection	4,133
<b>Total</b>	<b>20,448</b>

The values assigned are based on insurance valuations performed between 2006-08.

Further review will be conducted in 2011-12 to ensure the completeness of the heritage assets portfolio disclosed.

### 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an

# NOTES TO THE CORE FINANCIAL STATEMENTS

indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

- Property valuations are provided by component on a rolling programme every five years by the Council's internal valuers, with moderation undertaken by independent external valuers. All valuations are prepared in accordance with the Council's respective accounting policy (See Note 1). Depreciation of capital assets is based on their useful economic life and any increase or decrease in useful lives will affect the level of depreciation and the carrying value of the assets.
- The Council is subject to a number of legal claims and actions. Only some of these claims and actions are expected to lead to any liabilities or losses being incurred by the Council. The likely liability and loss to the Council arising from legal claims and actions is determined on an actuarial basis, based on prior years' experience and details of known claims and actions. Appropriate amounts are set aside to cover the assessed likely cost of such matters over the period in which they are likely to be settled and provision is made in the Balance Sheet for those claims and actions where the Council can reasonably foresee that liabilities or losses will be incurred. The assessment of the likely liability and loss to the Council necessarily involves assumptions as to the likely outcome of claims and actions and the nature and extent of events which may have occurred at the Balance Sheet date but of which the Council is not yet aware.
- The Council has a Private Finance Initiative (PFI) contract with a private sector partner to provide waste treatment and household waste facilities for the County until 2036. The Council is deemed to control the service provision of the plant; own the risks and rewards of the facility and other assets; and will take ownership of this asset at the end of the contract. As such, all relevant income and expenditure and assets and liabilities have been recognised on this basis.
- The Council is currently in dispute with a contractor delivering the Guided Busway capital scheme. The dispute relates to the total value and timing of payments made to the contractor for work undertaken / not completed. However, it is not practicable to estimate with any degree of certainty the potential liability that may be incurred by the Council in the eventuality that legal action arises as a result of this dispute. The issues involved in this matter are complex and negotiations and dispute resolution processes are ongoing.

## 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

# NOTES TO THE CORE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.9m for every year that useful lives had to be reduced.
<b>Provisions</b>	The Council has made a provision of £5.4m for the settlement of insurance claims, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 20% in either the total number of claims or the estimated average settlement would each have the effect of adding £1m to the provision needed.
<b>Pension Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of approximately £87m. However, the various assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pensions liability had decreased by £201m, as a result of increased asset values of £46m and decreased liabilities of £155m, mainly as a result of the impact of the change in valuing future liabilities based on Consumer Price Index (CPI) inflation rates rather than the Retail Price Index (RPI).
<b>Arrears</b>	At 31 March 2011, the Council had a balance of debtors greater than 6 months old totalling £1.5m. A review of significant balances suggested that an impairment of doubtful debts of 25% for debts in the 7-12 month age range and 50% for debts over 12 months was appropriate, giving an impairment total value of £333k.	If collection rates were to deteriorate, every increase of 10% in the impairment of doubtful debts would require an additional £77k to be set aside as an allowance.
<b>Resolution of contractual disputes</b>	The Council is currently in dispute with a contractor delivering the Guided Busway scheme. The dispute relates to the total value and timing of payments made to the contractor for work undertaken / not completed. Current guidance indicates that the cost to the Council of delivering the	A significant liability that may be incurred by the Council in the eventuality that unresolved disputes potentially give rise to unsuccessful legal action.



# NOTES TO THE CORE FINANCIAL STATEMENTS

project will be within the budget set aside for it.

The Council has raised a compensation claim of £500k following a dispute with the original contractor over the construction of Cambridge Central Library. This is to compensate for loss of income, extra storage costs and additional construction work undertaken by a replacement contractor.

Any settlement received which is less than the full amount claimed will create an equivalent pressure that is required to be funded by the Council.

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

## 5. PRIOR PERIOD ADJUSTMENT

Following the external audit process from 2009-10, the Council has made a Prior Period Adjustment of £39.4m relating to assets that should have been disposed of prior to 2010-11 due to certain schools becoming Foundation schools.

The impact on the 2009-10 statements is as follows:

	Adjustment £000
<b>Movement in Reserves Statement</b>	
Adjustments between accounting basis and funding basis under regulations	20,343
<b>Comprehensive Income &amp; Expenditure Statement</b>	
Education and Children Services	47
Gains/losses on the disposal of non current assets	28,572
Capital grants and contributions	-8,276
<b>Balance Sheet</b>	
Land and buildings	-39,415
Infrastructure	48,549
Assets under construction	-38,563
Assets Held for Sale (< 1 yr)	810
Capital Grants and Contributions Receipts in Advance	8,276
Capital adjustment account	20,343

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 6. MATERIAL ITEMS OF INCOME AND EXPENSE

Item	2010-11 £000
<b>Income</b>	
Dedicated Schools Grant	-317,268
<b>Expenditure</b>	
Disposals of property within Education and Children's services, including the (transfer) of Foundation schools for zero consideration as dictated by statute.	110,584
Partial reversal of the Short Term Compensating Absences accrual in 2010-11 primarily due to a lower number of applicable working days after the 31 <sup>st</sup> March for teachers (based on the standard school year).	-4,553
Reduction (gain) in the pension fund past service cost (as a result of basing pension increases on the Consumer Price Index rather than the Retail Price Index) following the Emergency Budget announcement in June 2010.	-111,422

## 7. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events occurring after the Balance Sheet date that require disclosure to enable readers to gain a proper understanding of the financial position of the Council up to the 28 September 2011 (the date when this statement of accounts was authorised for issue by the Corporate Director Finance, Property and Performance).

An 'adjusting' event is where evidence of the conditions of that event existed at the Balance Sheet date. A 'non-adjusting' event is indicative of conditions that arose after the Balance Sheet date, but prior to the issue of these accounts.

Non-Adjusting Post Balance Sheet Events required to be disclosed are as follows:

### Street Lighting Private Finance Initiative (PFI)

On the 14th April 2011, the Department for Transport confirmed that Cambridgeshire had been successful in its bid for Street Lighting PFI Credits. The letter states that the Council has been awarded £100.3 million over the 25 years of the contract.

As a result of this award, a contract was signed with Balfour Beatty on 19th April 2011, with a service start date of 1st July 2011. This contract is to replace all of the existing lighting equipment, which is beyond its design life, over the next five years. The contract additionally requires the service provider to maintain the whole street lighting stock for the full 25 years, with the cost of the maintenance being funded from the Council's revenue allocations.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The project will provide modern and efficient street lighting equipment, thus reducing the cost of energy and reducing the amount of carbon emissions. The predicted energy usage at the end of first 5 years is expected to fall from 18,831,321 KWH to about 9,500,000 KWH per annum, resulting in savings of 50% (over £700K) in energy costs and a 4,000 tonnes reduction in CO<sub>2</sub> emissions.

### Building Schools for the Future (BSF)

On 18th May 2010 the Authority entered a contract with Equitix Learning Community Partnerships to deliver school buildings and Information and Communication Technology (ICT) projects under the BSF programme through the Cambridgeshire Local Education Partnership. The contract includes:

- A PFI school (Thomas Clarkson Community College) for which the total nominal unitary charge payments over the 25 year concession period from 4th January 2012 to 3rd January 2037 will total £144.5m. This is funded by PFI credits totalling £121.1m with the difference funded by school and Authority contributions. This school is currently under construction and is expected to be operational from January 2012;
- 4 Design & Build (D&B) schools and 1 D&B Pupil Referral Unit (PRU), operational from January 2014, with a total estimated construction value of £80.4m funded by a £77.0m government grant and £3.4m of capital contributions. The D&B sample school (Neale Wade Community College), approved and on site has a construction value of £26.1m and will be operational in September;
- An ICT managed service to all Fenland BSF schools with a total contract value of £12.4m over the 5 year contract funded by £9.1m government grant and £3.3m from school contributions; and
- A Facilities Management (FM) managed service to the D&B schools and the PRU provided initially on an interim basis with an annual contract value of £0.17m before moving to a full service charge as the school building projects are complete. The full FM service contract cost is only provided for the D&B sample school at an annual cost of £0.07m. The FM service payments are funded entirely by school contributions.
- The FM contract also provides for the lifecycle maintenance of the D&B schools and the PRU although no cost is expected to be incurred in respect of lifecycle maintenance within the initial 5 year contract period with the exception of minor costs for redecoration to walls.

### Cambridge Central Library

Following a dispute with the original contractor over the construction of the library, a claim of £500k (current estimate) has been raised against a bond with the contractor's guarantor. This is to compensate for loss of income, extra storage costs and additional construction work undertaken by a replacement contractor. At present the claim remains outstanding.

## 8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year, in accordance with proper accounting

# NOTES TO THE CORE FINANCIAL STATEMENTS

practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010-11	Useable Reserves				Unusable Reserves
	General Fund	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Charges for depreciation and impairment of non current assets	62,286	0	0	0	-62,286
Revaluation losses on Property Plant and Equipment	0	0	0	0	0
Movements in the market value of Investment Properties	0	0	0	0	0
Amortisation of intangible assets	391	0	0	0	-391
Capital grants and contributions applied	-73,205	0	0	0	73,205
Movement in the Donated Assets Account	0	0	0	0	0
Revenue expenditure funded from capital under statute	9,602	0	0	0	-9,602
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	72,878	0	0	0	-72,878
Adjustment with earmarked reserves	-17,207	17,207	0	0	0
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Statutory provision for the financing of capital investment	-15,814	0	0	0	15,814
Capital expenditure charged against the General Fund	-40,946	0	0	0	40,946
<b>Adjustments involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	6,490	0	0	-6,490	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0

# NOTES TO THE CORE FINANCIAL STATEMENTS

Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	0	0	0	0	0
Transfer from Deferred Capital Receipts Reserve	0	0	0	0	0
<b>Adjustments involving the Deferred Capital Receipts Reserve (England and Wales):</b>					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0	0	0	0
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-78	0	0	0	78
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	-67,438	0	0	0	67,438
Employer's pensions contributions and direct payments to pensioners payable in the year	-32,244	0	0	0	32,244
<b>Adjustments involving the Collection Fund Adjustment Account:</b>					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	261	0	0	0	-261
<b>Adjustment involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-4,553	0	0	0	4,553
<b>Total Adjustments</b>	<b>-99,577</b>	<b>17,207</b>	<b>0</b>	<b>-6,490</b>	<b>88,860</b>



# NOTES TO THE CORE FINANCIAL STATEMENTS

2009-10	Useable Reserves				Unusable Reserves
	General Fund	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Charges for depreciation and impairment of non current assets	52,796	0	0	0	-52,796
Revaluation losses on Property Plant and Equipment	0	0	0	0	0
Movements in the market value of Investment Properties	0	0	0	0	0
Amortisation of intangible assets	388	0	0	0	-388
Capital grants and contributions applied	-54,293	0	0	0	54,293
Movement in the Donated Assets Account	0	0	0	0	0
Revenue expenditure funded from capital under statute	0	0	0	0	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	27,917	0	0	0	-27,917
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	-16,657	0	0	0	16,657
Capital expenditure charged against the General Fund	-199	0	0	0	199
<b>Adjustments involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-10,043	0	0	10,043	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	-1,189	0	1,189
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	0	0	0	0

# NOTES TO THE CORE FINANCIAL STATEMENTS

Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	0	0	0	0	0
Transfer from Deferred Capital Receipts Reserve	0	0	0	0	0
<b>Adjustments involving the Deferred Capital Receipts Reserve (England and Wales):</b>					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0	0	0	0
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-83	0	0	0	83
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	34,742	0	0	0	-34,742
Employer's pensions contributions and direct payments to pensioners payable in the year	-28,712	0	0	0	28,712
<b>Adjustments involving the Collection Fund Adjustment Account:</b>					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	197	0	0	0	-197
<b>Adjustment involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,303	0	0	0	-2,303
<b>Total Adjustments</b>	<b>8,356</b>	<b>0</b>	<b>-1,189</b>	<b>10,043</b>	<b>-17,210</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 9. TRANSFERS TO/FROM EARMARKED RESERVES

	Balance at 1st April 2009 £000	Transfers Out 2009-10 £000	Transfers In 2009-10 £000	Balance at 31st March 2010 £000	Transfers Out 2010-11 £000	Transfers In 2010-11 £000	Balance at 31st March 2011 £000
Carryforwards - Schools	19,225	-118,531	117,135	17,829	-18,687	23,818	22,960
Carryforwards - Other	2,277	-3,860	2,838	1,255	-2,808	4,040	2,487
Insurance Reserve	5,938	-8,671	10,522	7,789	-7,708	8,778	8,859
Invest To Transform Reserve	2,975	-3,270	3,211	2,916	-3,932	3,129	2,113
Developments and Pressures Reserve	3,898	-5,454	4,590	3,034	-13,014	12,410	2,430
Other Earmarked Reserves	5,042	-11,407	15,842	9,477	-24,417	39,379	24,439
<b>Total</b>	<b>39,355</b>	<b>-151,193</b>	<b>154,138</b>	<b>42,300</b>	<b>-70,566</b>	<b>91,554</b>	<b>63,288</b>

## 10. OTHER OPERATING EXPENDITURE

Listed below are items of income and expenditure that cannot reasonably be allocated or apportioned to services.

	2010-11 £000	2009-10 £000
Trading Accounts	-87	270
Losses on the disposal of non-current assets	88,489	36,885
Levies	367	351
<b>Total</b>	<b>88,769</b>	<b>37,506</b>

## 11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

This contains items of income and expenditure arising from an authority's involvement in financial instruments and similar transactions involving interest or the unwinding of discounts.

	2010-11 £000	2009-10 £000
Interest payable and similar charges	18,026	10,670
Pensions interest cost and expected return on pensions assets	13,976	18,745
Interest receivable and similar income	-438	-219
<b>Total</b>	<b>31,564</b>	<b>29,196</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 12. TAXATION AND NON-SPECIFIC GRANT INCOMES

This item consolidates all the grants and contributions receivable that cannot be identified to particular service expenditure. All capital grants and contributions are shown below, even where they are service-specific.

	2010-11 £000	2009-10 £000
Council tax income	228,097	218,992
Non-domestic rates	96,974	88,367
Non-ringfenced government grants	47,113	43,773
Capital grants and contributions	73,941	60,294
<b>Total</b>	<b>446,125</b>	<b>411,426</b>

## 13. PROPERTY, PLANT AND EQUIPMENT

### Movements in Balances

Movements in balances in 2010-11:

	Other Land and Buildings	Vehicles, Plant, furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment (PPE)	PFI Assets included in PPE
	£000	£000	£000	£000	£000	£000	£000	
<b>Cost or Valuation</b>								
At 1 April 2010	986,894	17,073	604,692	79	10,501	193,789	1,813,028	55,008
Prior Period Adjustment	-43,527	0	48,549	0	0	-38,563	-33,541	
<b>At 1 April 2010 Adjusted</b>	<b>943,367</b>	<b>17,073</b>	<b>653,241</b>	<b>79</b>	<b>10,501</b>	<b>155,226</b>	<b>1,779,487</b>	<b>55,008</b>
Additions	88,090	766	50,686	0	35	30,059	169,636	766
Donations	0	0	0	0	0	0	0	-
Revaluation increases recognised in the Revaluation Reserve	84,429	0	0	0	10	0	84,439	-
Revaluation increase recognised in the Surplus/Deficit on the Provision of Services	1,835	0	0	0	0	0	1,835	-
Derecognition - Disposals	-76,856	0	0	-56	-214	0	-77,126	-
Derecognition - Other	0	0	0	0	0	0	0	-
Assets reclassified (to)/from Held	-6,472	0	0	0	-7,347	0	-13,819	-

# NOTES TO THE CORE FINANCIAL STATEMENTS

for Sale									
Other movements in Cost or Valuation	0	0	0	0	0	0	0	-	
Transfers (PFI Waste Infrastructure)	0	0	0	0	0	0	0	-	
At 31 March 2011	1,034,393	17,839	703,927	23	2,985	185,285	1,944,452	55,774	
Accumulated Depreciation and Impairment									
At 1 April 2010	-68,324	-2,159	-77,725	0	-90	0	-148,297	-2,847	
Prior Period Adjustment	4,046	0	0	0	0	0	4,046		
At 1 April 2010 Adjusted	-64,278	-2,159	-77,725	0	-90	0	-144,251	-2,847	
Depreciation charge	-16,032	-2,708	-14,441	0	-2	0	-33,183	-4,140	
Depreciation written out to the Revaluation Reserve	-5,016	0	0	0	0	0	-5,016	-	
Depreciation written out to the Surplus/Deficit on the Provision of Services	7,619	0	0	0	0	0	7,619	-	
Impairment losses/ (reversals) recognised in the Revaluation Reserve	-3,949	0	0	0	0	0	-3,949	-	
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-19,682	0	0	-23	0	0	-19,705	-	
Derecognition - Disposals	4,014	0	0	0	68	0	4,082	-	
Derecognition - Other	0	0	0	0	0	0	0	-	
Other movements in Depreciation and Impairment	1,401	0	0	0	-696	0	705	-	
Transfers (PFI Waste Infrastructure)	0	0	0	0	0	0	0		
At 31 March 2011	-95,923	-4,867	-92,166	-23	-720	0	-193,699	-6,987	
Net Book Value									
At 31 March 2011	938,470	12,972	611,761	0	2,265	185,284	1,750,753	48,787	
At 31 March 2010 (unadjusted)	918,570	14,914	526,967	79	10,412	193,789	1,664,731	52,163	



# NOTES TO THE CORE FINANCIAL STATEMENTS

Movements in balances in 2009-10:

	Other Land and Buildings	Vehicles, Plant, furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment (PPE)	PFI Assets included in PPE
	£000	£000	£000	£000	£000	£000	£000	
<b>Cost or Valuation</b>								
At 1 April 2009	883,789	4,130	566,691	79	10,699	138,032	1,603,420	5,744
Additions	18,596	0	38,001	0	0	55,757	112,354	49,265
Donations	0	0	0	0	0	0	0	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	62,019	0	0	0	32	0	62,051	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	-
Derecognition - Disposals	-13,831	0	0	0	-230	0	-14,061	-
Derecognition - Other	0	0	0	0	0	0	0	-
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	-
Other movements in Cost or Valuation	0	0	0	0	0	0	0	-
Transfers (PFI Waste Infrastructure)	36,321	12,943	0	0	0	0	49,264	-
<b>At 31 March 2010</b>	<b>986,894</b>	<b>17,073</b>	<b>604,692</b>	<b>79</b>	<b>10,501</b>	<b>193,789</b>	<b>1,813,029</b>	<b>55,009</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2009	-69,609	-651	-64,213	0	-59	0	-134,532	-708
Depreciation charge	-16,489	0	-13,512	0	-9	0	-30,010	-2,138
Depreciation written out to the Revaluation Reserve	-2,836	0	0	0	0	0	-2,836	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	35,208	0	0	0	0	0	35,208	-
Impairment losses/ (reversals) recognised in the Revaluation Reserve	-5,112	0	0	0	0	0	-5,112	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-11,195	0	0	0	-22	0	-11,217	-
Derecognition - Disposals	2,340	0	0	0	0	0	2,340	-
Derecognition - Other	0	0	0	0	0	0	0	-
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	-

# NOTES TO THE CORE FINANCIAL STATEMENTS

Transfers (PFI Waste Infrastructure)	-631	-1,508	0	0	0	0	-2,139	
<b>At 31 March 2010</b>	<b>-68,324</b>	<b>-2,159</b>	<b>-77,725</b>	<b>0</b>	<b>-90</b>	<b>0</b>	<b>-148,298</b>	<b>-2,846</b>
<b>Net Book Value</b>								
<b>At 31 March 2010</b>	<b>918,570</b>	<b>14,914</b>	<b>526,967</b>	<b>79</b>	<b>10,411</b>	<b>193,789</b>	<b>1,664,731</b>	<b>52,163</b>
<b>At 31 March 2009</b>	<b>814,180</b>	<b>3,479</b>	<b>502,478</b>	<b>79</b>	<b>10,640</b>	<b>138,032</b>	<b>1,468,889</b>	<b>5,036</b>

## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and Buildings – 5 to 50 years
- Vehicles, Plant, Furniture and Equipment – 3 to 26 years
- Infrastructure – 40 years

## Capital commitments

At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £106.7m. Similar commitments at 31 March 2010 were £110.4m. The major commitments are:

<b>Expenditure approved and contracted</b>	<b>31-Mar-11 £000</b>
School Capital Fund - Hinchingsbrooke and Soham	8,725
Netherhall Lower School	3,050
School Devolved Formula Capital	2,372
Abbey Meadows Primary	1,979
School Condition Capital Funding	1,961
Colville Primary	1,876
Total mobile accommodation	1,865
Better Utilisation of Property Assets	1,773
Spring Meadow Infants, Ely	1,708
Pendragon, Papworth	1,691
Huntingdon DC Dual Use Agreements	1,000
<b>Total</b>	<b>28,000</b>

## Effects of Changes in Estimates

In 2010-11, the Authority made one material change to its accounting estimates for Property, Plant and Equipment. During the revaluation of the Authority's Land and Buildings, Community Assets and Surplus Assets, remaining useful lives were reviewed critically for all properties being revalued by the Authority. As a result, the depreciation charge for the revalued properties

# NOTES TO THE CORE FINANCIAL STATEMENTS

of £2.3 million for 2010-11 was £1.1 million lower than it would have been if the useful lives assessed in 2009-10 had been used for the calculations. The impact of this change will carry forward into 2011-12 and future years.

## Revaluations

The Authority carries out a rolling programme that ensures that all Property, plant and Equipment required to be measured at fair value is revalued at least every five years. The majority of valuations were carried out internally, however 18% of valuations were undertaken by external consultants NPS Ltd. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on cost.

The significant assumptions applied in estimating the fair values are:

- Building values based on building indices (BCIS)
- Market value of land is based on existing use (for example, if offices are based on the land then the land is valued for office use, if buildings on the land have industrial use then the land is valued based on employment land value)

## Valuation of fixed assets

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000		£000	£000	£000	£000
<b>Valued at Historic Cost</b>			611,761	0		185,284	<b>797,045</b>
<b>Valued at current value in:</b>							
2005-06	131,244						131,244
2006-07	163,495						163,495
2007-08	138,626						138,626
2008-09	120,478	3,479					123,957
2009-10	368,266	11,435					379,701
2010-11	16,360	-1,941			2,266		16,685
<b>Total</b>	<b>938,469</b>	<b>12,973</b>	<b>611,761</b>	<b>0</b>	<b>2,266</b>	<b>185,284</b>	<b>1,750,753</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 14. INTANGIBLE ASSETS

These consist mainly of system development costs of the Council's e-business suite acquired in 2001-02 and amortised over 10 years.

	31 March 2011 £000	31 March 2010 £000
<b>Opening gross book value</b>	<b>4,082</b>	4,082
Cumulative amortisation	-3,691	-3,303
<b>Net balance</b>	<b>391</b>	779
Amortisation for the period	-391	-388
<b>Total</b>	<b>0</b>	<b>391</b>

## 15. LONG-TERM DEBTORS

This section gives details of amounts falling due after one year.

	31 March 2011 £000	31 March 2010 £000
Learning and Skills Council	1,461	1,670
Local Government Reorganisation expenditure	30	30
Car loans to employees	780	531
Building Schools for the Future project	36	0
Other loans	37	46
<b>Total</b>	<b>2,344</b>	<b>2,277</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 16. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

The following categories of financial Instrument are carried on the Balance Sheet:

	Long-term		Current	
	31-Mar-11 £000	31-Mar-10 £000	31-Mar-11 £000	31-Mar-10 £000
<b>Debtors:</b>				
Debtors	2,344	2,277	126,470	121,467
<b>Total debtors</b>	<b>2,344</b>	<b>2,277</b>	<b>126,470</b>	<b>121,467</b>
<b>Borrowings:</b>				
Financial liabilities at amortised cost	269,831	264,744	62,010	32,132
<b>Total borrowings</b>	<b>269,831</b>	<b>264,744</b>	<b>62,010</b>	<b>32,132</b>
<b>Other long-term liabilities:</b>				
PFI and finance lease liabilities	51,499	51,661	0	0
<b>Total other long-term liabilities</b>	<b>51,499</b>	<b>51,661</b>	<b>0</b>	<b>0</b>
<b>Creditors:</b>				
Creditors	0	0	144,514	130,854
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>144,514</b>	<b>130,854</b>

### Reclassifications

No reclassifications have taken place during 2010-11.

### Income, Expense, Gains and Losses

	2010-11			2009-10		
	Financial Liabilities at amortised cost £000	Financial Assets: Receivables £000	Total £000	Financial Liabilities at amortised cost £000	Financial Assets: Receivables £000	Total £000
Interest expense	18,026	0	18,026	10,670	0	10,670
<b>Total expense in (Surplus)/ Deficit on the Provision of Services</b>	<b>18,026</b>	<b>0</b>	<b>18,026</b>	<b>10,670</b>	<b>0</b>	<b>10,670</b>
Interest income	0	438	438	0	219	219
<b>Total income in (Surplus)/ Deficit on the Provision of Services</b>	<b>0</b>	<b>438</b>	<b>438</b>	<b>0</b>	<b>219</b>	<b>219</b>
<b>Net gain / (loss) for the year</b>	<b>18,026</b>	<b>438</b>	<b>-17,588</b>	<b>-10,670</b>	<b>219</b>	<b>-10,451</b>



# NOTES TO THE CORE FINANCIAL STATEMENTS

## Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost (i.e. the amount at which the asset or liability is measured at initial recognition, minus any repayments of principal, impairments and the cumulative amortisation of the difference between the initial amount and the maturity amount of the instrument). Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2011 of 0.78% to 4.2% for both loans from the PWLB, and other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	Carrying amount 31-Mar-11 £000	Fair value 31-Mar-11 £000	Carrying amount 31-Mar-10 £000	Fair value 31-Mar-10 £000
Public Works Loan Board	221,308	238,905	206,219	216,582
Other long-term loans	61,192	58,528	61,192	56,473
Temporary loans	49,341	49,341	29,465	29,465
Finance lease liabilities	53,275	53,275	51,661	51,661
Creditors	144,514	144,514	130,854	130,854
<b>Total financial liabilities</b>	<b>529,630</b>	<b>544,563</b>	<b>479,391</b>	<b>485,035</b>
Debtors	126,470	126,470	121,467	121,467
Long-term debtors	2,344	2,344	2,277	2,277
<b>Total financial assets</b>	<b>128,814</b>	<b>128,814</b>	<b>123,744</b>	<b>123,744</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 17. ASSETS HELD FOR SALE

	2010-11	2009-10
	£000	£000
<b>Balance outstanding at start of year</b>	<b>4,173</b>	<b>4,830</b>
<b>Assets newly classified as held for sale:</b>		
Property, Plant and Equipment	16,321	1,666
Intangible Assets		
Other assets/liabilities in disposal groups		
Revaluation losses	-8	
Revaluation gains		
Impairment losses	-432	-1,468
<b>Assets declassified as held for sale:</b>		
Property, Plant and Equipment	-2,503	
Intangible Assets		
Other assets/liabilities in disposal groups		
Assets sold		-840
Transfer from non-current to current		
Other movements	-613	-15
<b>Balance outstanding at year-end</b>	<b>16,938</b>	<b>4,173</b>

## 18. DEBTORS

An analysis between Central Government departments and other debtors is given below.

	31 March 2011	31 March 2010
	£000	£000
Central Government	17,944	18,881
Other debtors	108,526	102,586
<b>Total</b>	<b>126,470</b>	<b>121,467</b>

## 19. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

# NOTES TO THE CORE FINANCIAL STATEMENTS

	2010-11 £000	2009-10 £000
Cash held by the Authority	18,132	3,627

## 20. CREDITORS

An analysis between Central Government departments and other creditors is given below.

	31 March 2011 £000	31 March 2010 £000
Central Government	12,100	14,790
Other creditors	132,414	116,064
<b>Total</b>	<b>144,514</b>	<b>130,854</b>

## 21. PROVISIONS

The Council has made provisions to set aside sums to meet liabilities that are likely or certain to be incurred but where the amount or timing of the payments are not known.

	Balance at 1 April 2010 £000	Provisions arising £000	Provisions utilised £000	Provisions reversed £000	Balance at 31 March 2011 £000
Insurance	5,523	2,220	-851	-1,509	5,383
Redundancy	0	2,000	0	0	2,000
Landfill allowances	0	0	0	0	0
<b>Total</b>	<b>5,523</b>	<b>4,220</b>	<b>-851</b>	<b>-1,509</b>	<b>7,383</b>

### Insurance

This provision is used to meet insurance claims funded by the Council. It is related to claims that are more likely than not to be payable.

### Redundancy

In January, the Council issued 2 Section 188 notices to start the formal consultation on the proposal to make significant staff redundancies and reduce levels of service delivery. This was

# NOTES TO THE CORE FINANCIAL STATEMENTS

in response to the reduced finance settlement received by the Council following the Comprehensive Spending Review in October 2010. As a result, the Council has set aside an amount of £2m to cover any redundancy payments that will be incurred during the 2011-12 financial year.

## Landfill allowances

This provision relates to the usage of Landfill Allowances issued by the Government under the Landfill Allowances Trading Scheme (LATS). The allowances issued by government are held as current assets at market value. As landfill occurs, provision is made for the estimated value. Once the value of landfill has been confirmed by the Environment Agency, the relevant value of allowances will be deducted from current assets, and the provision released.

No provision has been made at 31 March 2011, as the market value of allowances has been assessed as zero and is not considered to be material. This is mainly due to the lack of an active market above nominal values in 2010-11 and it is unlikely that the Council could successfully sell any spare capacity. The Council holds sufficient allowances at 31 March 2011 to cover outstanding landfill made at that date.

## 22. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (page 32).

## 23. UNUSABLE RESERVES

1st April 2009 £000	31st March 2010 £000		31st March 2011 £000
139,216	241,809	Revaluation Reserve	243,956
956,193	946,491	Capital Adjustment Account	1,023,128
-1,751	-1,668	Financial Instruments Adjustment Account	-1,590
-240,431	-509,539	Pensions Reserve	-308,476
44	-153	Collection Fund Adjustment Account	-414
-15,904	-18,207	Accumulated Absences Account	-13,654
<b>837,367</b>	<b>658,733</b>	<b>Total Unusable Reserves</b>	<b>942,950</b>

## Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;

## NOTES TO THE CORE FINANCIAL STATEMENTS

- used in the provision of services and the gains are consumed through depreciation;
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

<b>31st March 2010 £000</b>		<b>31st March 2011 £000</b>
<b>139,216</b>	<b>Balance at 1 April</b>	<b>241,809</b>
97,259	Upward revaluation of assets	93,978
-8,721	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-3,949
227,754	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	331,838
0	Difference between fair value depreciation and historical cost depreciation	0
14,055	Accumulated gains on assets sold or scrapped	-87,882
14,055	Amount written off to the Capital Adjustment Account	-87,882
<b>241,809</b>	<b>Balance at 31 March</b>	<b>243,956</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.



# NOTES TO THE CORE FINANCIAL STATEMENTS

31st March 2010 £000		31st March 2011 £000
<b>956,193</b>	<b>Balance at 1 April</b>	<b>946,490</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
-52,796	- Charges for depreciation and impairment of non current assets	-62,286
0	- Revaluation losses on Property, Plant and Equipment	0
-388	- Amortisation of intangible assets	-391
0	- Revenue expenditure funded from capital under statute	-9,602
-25,164	- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-76,083
<b>877,845</b>		<b>798,128</b>
-14,055	Adjusting amounts written out of the Revaluation Reserve	87,882
<b>863,790</b>	<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>886,010</b>
	<b>Capital financing applied in the year:</b>	
11,552	- Use of the Capital Receipts Reserve to finance new capital expenditure	6,667
0	- Use of the Major Repairs Reserve to finance new capital expenditure	0
0	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0
54,292	- Application of grants to capital financing from the Capital Grants Unapplied Account	73,690
16,657	- Statutory provision for the financing of capital investment charged against the General Fund	15,814
199	- Capital expenditure charged against the General Fund	40,947
<b>946,490</b>		<b>1,023,128</b>
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0
<b>946,490</b>	<b>Balance at 31 March</b>	<b>1,023,128</b>

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

# NOTES TO THE CORE FINANCIAL STATEMENTS

31st March 2010 £000		31st March 2011 £000
<b>-1,751</b>	<b>Balance at 1 April</b>	<b>-1,668</b>
83	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	78
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0
83	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	78
<b>-1,668</b>	<b>Balance at 31 March</b>	<b>-1,590</b>

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31st March 2010 £000		31st March 2011 £000
<b>-240,431</b>	<b>Balance at 1 April</b>	<b>-509,539</b>
-263,078	Actuarial gains or losses on pensions assets and liabilities	101,381
-34,742	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	67,438
28,712	Employer's pensions contributions and direct payments to pensioners payable in the year	32,244
<b>-509,539</b>	<b>Balance at 31 March</b>	<b>-308,476</b>

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

# NOTES TO THE CORE FINANCIAL STATEMENTS

31st March 2010 £000		31st March 2011 £000
<b>44</b>	<b>Balance at 1 April</b>	<b>-153</b>
-197	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	<b>-261</b>
<b>-153</b>	<b>Balance at 31 March</b>	<b>-414</b>

## Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31st March 2010 £000		31st March 2011 £000
<b>-15,904</b>	<b>Balance at 1 April</b>	<b>-18,207</b>
-2,303	Settlement or cancellation of accrual made at the end of the preceding year	<b>4,553</b>
0	Amounts accrued at the end of the current year	<b>0</b>
-2,303	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>4,553</b>
<b>-18,207</b>	<b>Balance at 31 March</b>	<b>-13,653</b>

## 24. CASH FLOW STATEMENT – OPERATING ACTIVITIES

	2010-11 £000	2009-10 £000
Net surplus or (deficit) on the provision of services	<b>101,898</b>	-32,183
Adjustments to net surplus or deficit on the provision of services for non cash movements	<b>-74,045</b>	26,172
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<b>17,460</b>	10,008
<b>Net cash flows from operating activities</b>	<b>45,313</b>	<b>3,997</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 25. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for operating activities include the following items:

	2010-11 £000	2009-10 £000
Purchase of property, plant and equipment, investment property and intangible assets	-124,076	-170,593
Purchase of short-term and long-term investments	0	0
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,749	10,363
Proceeds from short-term and long-term investments	0	0
Other receipts from investing activities	68,391	68,666
<b>Net cash flows from investing activities</b>	<b>-47,936</b>	<b>-91,564</b>

## 26. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2010-11 £000	2009-10 £000
Cash receipts of short- and long-term borrowing	72,000	199,750
Other receipts from financing activities	438	203
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	-162	49,265
Repayments of short- and long-term borrowing	-37,250	-124,995
Other payments for financing activities	-17,898	-10,211
<b>Net cash flows from financing activities</b>	<b>17,128</b>	<b>114,012</b>

## 27. AMOUNTS REPORTED FOR ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- expenditure on some support services is budgeted for centrally and not charged to Services.

# NOTES TO THE CORE FINANCIAL STATEMENTS

2010-11 Service Income and Expenditure	Children and Young People's Services	Community and Adult Services	Environment Services	Corporate Directorates	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income*	-412,136	-103,203	-21,907	-17,747	-554,993
Government grants	-63,513	-8,718	-1,414	-983	-74,628
<b>Total Income</b>	<b>-475,649</b>	<b>-111,920</b>	<b>-23,321</b>	<b>-18,730</b>	<b>-629,621</b>
Employee expenses	383,099	27,763	18,262	15,118	444,242
Other service expenses	188,726	241,474	60,088	37,157	527,446
<b>Total Expenditure</b>	<b>571,825</b>	<b>269,237</b>	<b>78,351</b>	<b>52,275</b>	<b>971,688</b>
<b>Net Expenditure</b>	<b>96,176</b>	<b>157,317</b>	<b>55,029</b>	<b>33,545</b>	<b>342,068</b>

2009-10 Service Income and Expenditure	Children and Young People's Services	Community and Adult Services	Environment Services	Corporate Directorates	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income*	-396,854	-75,222	-22,152	-21,121	-515,350
Government grants	-52,084	-17,078	-74	-1,067	-70,303
<b>Total Income</b>	<b>-448,938</b>	<b>-92,300</b>	<b>-22,226</b>	<b>-22,188</b>	<b>-585,653</b>
Employee expenses	378,774	28,628	18,341	35,388	461,131
Other service expenses	164,396	217,312	58,120	17,172	456,999
<b>Total Expenditure</b>	<b>543,170</b>	<b>245,939</b>	<b>76,461</b>	<b>52,560</b>	<b>918,131</b>
<b>Net Expenditure</b>	<b>94,232</b>	<b>153,639</b>	<b>54,235</b>	<b>30,372</b>	<b>332,478</b>



# NOTES TO THE CORE FINANCIAL STATEMENTS

	2010-11 £000	2009-10 £000
Net expenditure in the Service Analysis	342,068	332,478
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-118,172	14,243
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	0
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>223,896</b>	<b>346,721</b>

2010-11	Service Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-554,993	33,032	0	-521,961	0	-521,961
Interest and investment income	0	0	0	0	-438	-438
Income from council tax	0	0	0	0	-228,359	-228,359
Government grants and contributions	-74,628	0	0	-74,628	-218,028	-292,656
<b>Total Income</b>	<b>-629,621</b>	<b>33,032</b>	<b>0</b>	<b>-596,589</b>	<b>-446,825</b>	<b>-1,043,414</b>
Employee expenses	444,242	-89	0	444,153	0	444,153
Other service expenses	527,446	-185,009	0	342,437	13,889	356,326
Depreciation, amortisation and impairment	0	33,894	0	33,894	0	33,894
Interest Payments	0	0	0	0	18,026	18,026
Precepts & Levies	0	0	0	0	629	629
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	88,489	88,489
<b>Total Expenditure</b>	<b>971,688</b>	<b>-151,204</b>	<b>0</b>	<b>820,484</b>	<b>121,033</b>	<b>941,517</b>
<b>(Surplus) or Deficit on the provision of services</b>	<b>342,067</b>	<b>-118,172</b>	<b>0</b>	<b>223,895</b>	<b>-325,792</b>	<b>-101,897</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

2009-10	Service Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-515,350	19,278	0	-496,072	0	-496,072
Interest and investment income	0	0	0	0	-219	-219
Income from council tax	0	0	0	0	-219,189	-219,189
Government grants and contributions	-70,303	0	0	-70,303	-192,434	-262,737
<b>Total Income</b>	<b>-585,653</b>	<b>19,278</b>	<b>0</b>	<b>-566,375</b>	<b>-411,842</b>	<b>-978,217</b>
Employee expenses	461,131	2,303	0	463,434	0	463,434
Other service expenses	456,999	-60,134	0	396,865	19,015	415,880
Depreciation, amortisation and impairment	0	52,796	0	52,796	0	52,796
Interest Payments	0	0	0	0	10,670	10,670
Precepts & Levies	0	0	0	0	548	548
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	36,885	36,885
<b>Total expenditure</b>	<b>918,130</b>	<b>-5,035</b>	<b>0</b>	<b>913,095</b>	<b>67,118</b>	<b>980,213</b>
<b>(Surplus) or Deficit on the provision of services</b>	<b>332,477</b>	<b>14,243</b>	<b>0</b>	<b>346,720</b>	<b>-344,724</b>	<b>1,996</b>

## 28. TRADING OPERATIONS

The Council has established trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or external customers.

In 2010-11, only the net deficit on external trading is shown separately in the Income and Expenditure Account. Surpluses and deficits on internal trading are included within Net Cost of Services on the BVACOP line to which they relate.

Details of those units with turnover greater than £1m or a deficit greater than £100,000 in 2010-11 are as follows:

# NOTES TO THE CORE FINANCIAL STATEMENTS

	Turnover £000	Surplus (-) / deficit (+) £000
<b>Cambridgeshire Music</b> Cambridgeshire Music provides music services and tuition internally to schools and externally to parents, ensembles and the wider community.	1,829	-30
<b>Education ICT</b> The Education ICT Service is the principal agency for delivering Cambridgeshire's ICT Strategy for schools and their communities.	5,073	-2
<b>Grafham Water Centre</b> Grafham Water Centre mainly offers young people a variety of activities of adventurous and environmental nature during which there is significant learning to complement the programmes delivered in schools. The facility supports the learning outside the classroom agenda, which has been developed by the DCSF and recognised by OFSTED as valuable to promote the learning of young people.	1,333	20
<b>Groomfields</b> Groomfields is the Grounds Maintenance Trading Unit for Cambridgeshire County Council. The principal purpose of the business is to provide all elements of grounds maintenance to school sites and where appropriate develop them in accordance with the National Curriculum.	1,142	192
<b>CCS</b> CCS provide catering services to schools in Cambridgeshire and in nearby areas, and hospitality services to internal and external clients. Cleaning services are also provided, mainly to schools in Cambridgeshire.	14,530	-170
<b>Adjustment for other non-material external trading</b>	1,274	-33
<b>Adjustment to exclude internal trading</b>	-15,053	-64
<b>Total</b>	<b>10,128</b>	<b>-87</b>

## 29. POOLED BUDGETS

The Council has entered into pooled budget agreements with the following bodies:

- NHS Cambridgeshire, for the provision of integrated health and social services for older people (OP) in Cambridgeshire, with the partner organisation contributing 35.7% of the budget.
- NHS Cambridgeshire, for the provision of integrated community equipment service (ICES) in Cambridgeshire, with the partner organisation contributing 48.4% of the budget.
- NHS Cambridgeshire, for the provision of integrated health and social services for learning disability (LDP) clients in Cambridgeshire, with the partner organisation contributing 25.2% of the budget.

From 2010-11, for ICES and LDP, the same proportions as those for budget contributions are used to meet any deficit or share any surplus arising at the end of each financial year. For OP the risk share has been agreed at 77.1% (the Council) and 22.9% (NHS Cambridgeshire).

# NOTES TO THE CORE FINANCIAL STATEMENTS

2010-11	Pooled Budget		
	Older People	Integrated Community Equipment Service	Learning Disability Partnership
Funding provided to the pooled budget:			
- the Council	68,039	2,153	40,067
- NHS Cambridgeshire	37,804	2,018	22,339
Expenditure met from the pooled budget:			
- the Council	69,552	2,091	41,478
- NHS Cambridgeshire	38,253	1,960	22,815
<b>Net deficit/ (surplus) on the pooled budget during the year</b>	<b>1,962</b>	<b>(120)</b>	<b>1,887</b>
<b>Authority share of the net deficit/ (surplus) on the pooled budget</b>	<b>1,513</b>	<b>(62)</b>	<b>1,411</b>

2009-10	Pooled Budget		
	Older People	Integrated Community Equipment Store	Learning Disability Partnership
Funding provided to the pooled budget:			
- the Council	63,163	2,160	38,892
- NHS Cambridgeshire	36,563	2,025	21,743
Expenditure met from the pooled budget:			
- the Council	66,330	2,111	38,906
- NHS Cambridgeshire	38,396	1,979	21,747
<b>Net deficit/ (surplus) on the pooled budget during the year</b>	<b>5,000</b>	<b>(95)</b>	<b>18</b>
<b>Authority share of the net deficit/ (surplus) on the pooled budget</b>	<b>3166</b>	<b>(49)</b>	<b>13</b>

## 30. MEMBERS' ALLOWANCES

The allowances paid to members of the Council were £754,108 (2009-10 £742,832). This information does not form part of the formal accounts on which the audit opinion is given. Further details are provided on page 105.

## 31. OFFICERS' REMUNERATION

### Senior Employees

Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 [SI 2009 No. 3322] involves a legal requirement to increase transparency and accountability in Local Government for reporting the remuneration of senior employees. These regulations came into force on 31 March 2010 and require authorities to publish detailed senior employee pay information covering, salary, bonuses, expenses allowances, compensation payments, pensions and any other benefits.

# NOTES TO THE CORE FINANCIAL STATEMENTS

Senior employees whose salary is £50,000 or more, but less than £150,000, are required to be listed individually by way of job title. Employees whose salary is £150,000 or more must also be identified by name. In this context, a senior employee is identified as follows:

- the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989;
- the head of staff for a relevant body which does not have a designated head of paid service;
- any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

The Council's senior employee remuneration for 2010-11 (and 2009-10) is as follows:

		Salary, Fees and Allowances	Bonuses and Expense Allowances	Total Remuneration Excluding Employer Pension Contributions	Employer Pension Contribution	Total Remuneration Including Employer Pension Contributions
		£	£	£	£	£
<b>Mark Lloyd (Chief Executive)</b>	2010-11	195,966	0	<b>195,966</b>	37,234	<b>233,200</b>
	2009-10	195,966	0	<b>195,966</b>	34,490	<b>230,456</b>
<b>Gordon Jeyes (Executive Director: Children and Young People's Services)<sup>1</sup></b>	2010-11	37,876	0	<b>37,876</b>	7,196	<b>45,072</b>
	2009-10	151,502	0	<b>151,502</b>	26,664	<b>178,166</b>
<b>Executive Director: Community and Adult Services</b>	2010-11	120,240	0	<b>120,240</b>	22,846	<b>143,086</b>
	2009-10	123,149	0	<b>123,149</b>	21,674	<b>144,823</b>
<b>Corporate Director: Finance, Property and Performance</b>	2010-11	122,155	0	<b>122,155</b>	23,209	<b>145,364</b>
	2009-10	119,695	0	<b>119,695</b>	21,066	<b>140,761</b>
<b>Executive Director: Environment Services<sup>2</sup></b>	2010-11	120,240	0	<b>120,240</b>	22,846	<b>143,086</b>
	2009-10	0	0	<b>0</b>	0	<b>0</b>
<b>Executive Director: Environment Services<sup>3</sup></b>	2010-11	0	0	<b>0</b>	0	<b>0</b>
	2009-10	142,236	0	<b>142,236</b>	25,034	<b>167,270</b>
<b>Corporate Director: People, Policy and Law<sup>4</sup></b>	2010-11	116,415	0	<b>116,415</b>	22,119	<b>138,534</b>
	2009-10	116,415	0	<b>116,415</b>	20,489	<b>136,904</b>
<b>Executive Director: Children and Young People's Services<sup>5</sup></b>	2010-11	114,664	0	<b>114,664</b>	21,786	<b>136,450</b>
	2009-10	0	0	<b>0</b>	0	<b>0</b>
<b>Corporate Director: Customer Service and Transformation</b>	2010-11	103,400	0	<b>103,400</b>	19,646	<b>123,046</b>
	2009-10	103,400	0	<b>103,400</b>	18,198	<b>121,598</b>

<sup>1</sup> Left on 30.06.2010

<sup>2</sup> Started on 01.04.2010

<sup>3</sup> Left on 31.03.2010

<sup>4</sup> Left 01.10.2010 to become Corporate Director: Strategy and Democracy

<sup>5</sup> Started 01.07.2011. Numbers presented also include salary for the first 3 months of the year when employed elsewhere



## NOTES TO THE CORE FINANCIAL STATEMENTS

It should also be noted that 2 senior employees of the LGSS are members of staff at Northamptonshire County Council (NCC). Their remuneration has been met by NCC without recharge to the Council. The Council's share of LGSS senior employees is included within the above table.

### Employee remuneration above £50,000

In addition, the number of Council staff (including teachers but excluding senior employees) with taxable remuneration above £50,000 is as follows:

	2010-11 Total	2009-10 Total
£50,000 - £54,999	140	113
£55,000 - £59,999	72	64
£60,000 - £64,999	43	31
£65,000 - £69,999	10	7
£70,000 - £74,999	12	10
£75,000 - £79,999	6	10
£80,000 - £84,999	11	8
£85,000 - £89,999	4	4
£90,000 - £94,999	4	3
£95,000 - £99,999	0	2
£100,000 - £104,999	3	1
£105,000 - £109,999	2	1
<b>Total</b>	<b>307</b>	<b>254</b>

### 32. EXTERNAL AUDIT COSTS

The Council has incurred the following fees relating to external audit and inspection for the following years of account:

	2010-11 £000	2009-10 £000
Fees payable with regard to external audit services carried out by the appointed auditor	220	238
Fees payable to the Audit Commission in respect of statutory inspection	0	18
Fees payable to the appointed auditor for the certification of grant claims and returns	19	37
Fees payable in respect of other services provided by the appointed auditor	29	4
<b>Total</b>	<b>268</b>	<b>297</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 33. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school.

As the ISB is delegated to schools the assumption is that once allocated the funding is effectively spent. Although schools do have significant balances, the DCSF has instructed the local authority to report all DSG allocated to schools as spent under the terms of the grant. The central expenditure carried forward is mainly due to underspends on school specific contingencies.

The DSG allocation for 2010-11 has been adjusted to reflect those schools which converted to Academy status in year.

Details of the deployment of DSG receivable for 2010-11 are as follows:

	Central expenditure £000	Individual schools budget £000	Total £000
Balance brought forward from 2009-10	807	-21	786
DSG allocation for 2010-11	38,485	278,783	317,268
<b>Final DSG available for the year 2010-11</b>	<b>39,292</b>	<b>278,762</b>	<b>318,054</b>
<b>Actual expenditure for the year 2010-11</b>	<b>38,039</b>	<b>278,762</b>	<b>316,801</b>
<b>Balance to carry forward to 2011-12</b>	<b>1,253</b>	<b>0</b>	<b>1,253</b>

## 34. GRANT INCOME

### Non-specific grant income

This section gives details of not ring-fenced grants received by the Council for the purpose of supporting revenue expenditure, which are not related to the performance of a specific service:

	2010-11 £000	2009-10 £000
Revenue Support Grant	14,081	20,396
Area Based Grant	33,032	23,377
<b>Total</b>	<b>47,113</b>	<b>43,773</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Area Based Grant replaced the Local Area Agreement grant in 2008-09 and was created from a number of existing and new grants which were previously attributable to specific services and accounted for within Net Cost of Services.

### Grants credited to services

The Council credited the following, material grants to services:

	2010-11 £000
Dedicated Schools Grant	317,268
Young People's Learning Agency: Schools (sixth forms) Grant	16,724
School Standards Grant	13,445
School Development Grant	8,606
Sure Start Grant	12,814
<b>Total</b>	<b>368,857</b>

### Capital Grants receipts in advance

The Council has received a number of grants that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31 March 2010 £000
<b>Grants</b>	
Building Schools for the Future project	8,480
Standards Fund capital grants	4,214
Other grants	3,109
<b>Contributions</b>	
Section 106 contributions	23,864
Other Contributions	2,252
<b>Total</b>	<b>40,119</b>

## 35. RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

# NOTES TO THE CORE FINANCIAL STATEMENTS

This includes the Government, Council Members, Chief Officers, and both public and non public bodies.

## Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills). Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 34.

## Member and Senior Officer declarations

All Members and Senior Officers of the Council have been requested to detail any related party transactions in as far as they affect them. The following matters need to be formally recorded:

COUNCILLOR	DETAILS
<b>S Gymer</b>	£2,304 received from Cambridgeshire Fire Authority.
SENIOR OFFICER	DETAILS
<b>P Harding</b>	Daughter is a client of the Learning Disability Partnership, and receives a personal budget to meet her needs.

## Other Public Bodies (subject to common control by central government)

The Council has 3 pooled budget arrangements with NHS Cambridgeshire for the provision of services for both older people and people with learning disabilities, and an integrated community equipment service. Details for each of these pooled budgets can be found in Note 29.

## Entities controlled or significantly influenced by the Authority

Under partnership working arrangements, the Council has interests in the following bodies at 31 March 2010. These interests have not been accounted for under the equity method of accounting for associates are not separately audited:

# NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Shared Services (LGSS) with Northamptonshire County Council	Cambridgeshire Horizons Limited
Legal status of entity	Joint Committee	Company limited by guarantee
Business of entity	Joint delivery of transactional and professional functions with a view to more economical, efficient and effective services	To coordinate and facilitate the local development agenda
Council's share of entity	50%	16.7%
	<b>£000</b>	<b>£000</b>
Turnover	N/A	580
Operating result	N/A	19
Fixed assets	N/A	-
Current assets	N/A	287
Liabilities due within 1 year	N/A	97
Liabilities due after more than 1 year	N/A	-
Notes	LGSS began on 1 <sup>st</sup> October 2010. As a result, the Council's 50% interest in the total value of Shared Services transactions for 2010-11 is not deemed to be material not separately disclosed. Any transactions involved in the Shared Service arrangement are subsumed within the Council's overall figures for 2010-11.	

In January, the Council issued 2 Section 188 notices to start the formal consultation on the proposal to make significant staff redundancies and reduce levels of service delivery. As part of this process, it was decided that the Greater Cambridgeshire Partnership (which the Council has a 3% share) would cease. The associated services that the partnership provides will stop or be subsumed within the recently formed Local Enterprise Partnership. Final 18 month trading accounts for the partnership will be available in September 2011.

## 36. TRUST FUNDS

Trust funds, which are included within other creditors in Note 20, are administered by the Council on behalf of or jointly with trustees, mainly for the benefit of children in specific schools or for children in care. The total investment at 31 March 2011 was £712,741 in 24 trusts (31 March 2010 £728,876 in 24 trusts) of which £708,132 was internally invested.

Internally invested monies are consolidated and invested with the Council's cash balances, and interest is credited to the trust funds at the rates earned by the Council on cash deposits during the year. Trust funds are not separately audited.



# NOTES TO THE CORE FINANCIAL STATEMENTS

	£000	No. of funds
Social Services	29,844	6
Education	682,897	24
<b>Total</b>	<b>712,741</b>	<b>30</b>

## 37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2010-11 £000	2009-10 £000
<b>Opening Capital Financing Requirement</b>	<b>168,150</b>	<b>114,019</b>
Property, Plant and Equipment	0	0
Investment Properties	0	0
Intangible Assets	15,745	17,994
Revenue Expenditure Funded from Capital under Statute		
<b>Sources of finance</b>		
Capital receipts	-6,667	-11,552
Government grants and other contributions	-73,690	-54,292
Sum set aside from revenue:		
Direct revenue contributions	0	-51
MRP/loans fund principal	0	0
<b>Closing capital financing requirement</b>	<b>103,538</b>	<b>66,118</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (supported by government financial assistance)	-21,781	-24,786
Increase in underlying need to borrowing (unsupported by government financial assistance)	-82,523	-41,332
Assets acquired under finance leases	0	0
Assets acquired under PFI/PPP contracts	766	0
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>-103,538</b>	<b>-66,118</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 38. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

### Waste PFI

On 17<sup>th</sup> March 2008, the Council contracted with Donarbon Waste Management Limited to provide waste treatment and household waste facilities for the County. At the time the contract was signed, the total estimated contract payments were £730m over the 28-year contract period (termination due in 2036). An element of this payment relates to financing the construction of a Mechanical Biological Treatment (MBT) plant, with a total cost of £42m. PFI credits of £2.7m per year are received in relation to this contract.

As a result, the Council has assets totaling £56.0m (including the MBT facility) on its balance sheet, along with associated liabilities, debt provision and debt financing. This is due to the Council controlling the service provision of the plant; owning the risks and rewards of the facility and other assets; and because the Council will take ownership of this asset for no additional consideration at the end of the contract.

For 2010-11, the following figures have been recognised in the Council's financial statements:

<b>Income &amp; Expenditure Account</b>	<b>2010-11 £000</b>	<b>2009-10 £000</b>	
Fair Value of Services Provided	10,154	9,906	
Interest payable on the finance lease liability	5,292	418	
Debt Provision	-954	1,942	
Contingent Rents	814	59	
Depreciation	4,140	2,138	
PFI Credits	-2,700	-2,700	
<b>Balance Sheet</b>	<b>31-Mar-11 £000</b>	<b>31-Mar-10 £000</b>	<b>Movement £000</b>
<b>Assets</b>			
Land and buildings	35,815	37,248	-1,433
Plant and equipment	12,973	14,914	-1,941
Cash	-356	-	-356
<b>Liabilities</b>			
Short term finance lease liability	-1,777	-	-1,777
Long term finance lease liability	-51,323	-51,379	56
<b>Reserves</b>			
Carryforward Reserves	356	-	356
Capital Adjustment Account (Depreciation & Debt Provision)	4,312	-783	-5,095

Projected future payments over the remaining life of the Waste PFI contract are as follows:

# NOTES TO THE CORE FINANCIAL STATEMENTS

	Cost of Services	Capital replacement	Liability repayment	Interest costs & contingent rents	Total
	£000	£000	£000	£000	£000
Within 1 year	10,408	166	1,776	6,630	18,980
Within 2 to 5 years	44,299	5,721	3,448	27,316	80,784
Within 6 to 10 years	61,895	6,028	7,126	37,823	112,872
Within 11 to 15 years	70,029	12,252	3,649	41,775	127,705
Within 16 to 20 years	79,231	8,574	11,606	45,075	144,486
Within 21 to 25 years	89,643	2,947	25,494	45,390	163,474
<b>Total</b>	<b>355,505</b>	<b>35,688</b>	<b>53,099</b>	<b>204,009</b>	<b>648,301</b>

## Cambridge Community Network (CCN)

The Council has a 10 year contract with Virgin Media Business for the provision of a countywide computer network which ends in April 2012. The agreement, which has involved annual revenue expenditure rising from £6.3m to £6.6m over the period to 2012, has been funded by PFI grant, other grants and contributions and existing budgets. This contract will be replaced by a non-PFI partnership called the Cambridgeshire Public Sector Network from 2012 onwards.

## Building Schools for the Future (BSF)

On 18th May 2010, the Authority entered a contract with Equitix Learning Community Partnerships to deliver school building and ICT projects for 4 secondary schools, 1 special school and 1 pupil referral unit under the BSF programme. This programme includes a PFI element that comprises the following:

- Thomas Clarkson Community College – construction and ongoing Facilities Management services for the school, for which the total nominal unitary charge payments over the 25 year concession period from 4th January 2012 to 3rd January 2037 will total £144.5m.

This is largely funded by PFI credits totalling £121.1m from the Department for Education, with the difference funded by school contributions and the Council's capital programme. The Council bears none of the construction risk and the school is due to be operational from January 2012.

## Street Lighting PFI

This contract is due to start on the 1<sup>st</sup> of July 2011, and is to replace all of the existing street lighting equipment over the next five years. See note 7 for further details.

## 39. IMPAIRMENT LOSSES

During 2010-11, the Authority has recognised an impairment loss of over £1 million each on five separate assets. Impairments on two of these assets simply relate to a change in accounting treatment, whereby previously the building element of the asset was included in the land value. Therefore the impairment in relation to these two assets is only actually £0.9 million, the rest of the impairment nets off against additions. The recoverable amounts of these assets have been reduced to their fair value, split into the correct components, with both the impairment loss and

## NOTES TO THE CORE FINANCIAL STATEMENTS

the additions being charged to the Corporate and Democratic Core and Highway and Transport Services lines in the Comprehensive Income and Expenditure Statement.

Two of the other significant impairments relate to a Farm Management Plan and a landfill site. The combined impairment loss of £2.7 million on these assets relates to decrease in rental income. The landfill site in particular was expected to significantly lose rental value from 2009-10 due to a change to agricultural value. The recoverable amount of the assets has been reduced to their fair value and the impairment loss charged respectively to the Corporate and Democratic Core (£1.3 million) and the Cultural, Environmental, Regulatory and Planning (£1.4 million) lines in the Comprehensive Income and Expenditure Statement.

The final significant impairment relates to a primary school. The value of the land has decreased significantly since the asset's last valuation 3 years ago, therefore the recoverable amount of the asset has been reduced to its fair value and the impairment loss has been charged to the Children's and Education Services line in the Comprehensive Income and Expenditure Statement.

### 40. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2010-11, incurring liabilities of £2.06m (£1m in 2009-10).

### 41. RETIREMENT BENEFITS

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme (LGPS): a defined benefit statutory scheme, administered by the Council in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008. The scheme is contracted out of the State Second Pension.

#### Share of assets and liabilities

In accordance with IAS 19 the Council is required to disclose its share of the assets and liabilities relating to the LGPS that it administers on behalf of all scheduled and admitted bodies.

	2010-11 £000	2009-10 £000
Share of assets	621,852	575,531
Share of liabilities	-930,328	-1,085,070
<b>Net liabilities</b>	<b>-308,476</b>	<b>-509,539</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Defined benefit obligations

	2010-11 £000	2009-10 £000
<b>Opening defined benefit obligation</b>	<b>1,085,070</b>	<b>665,367</b>
Current service cost	30,008	15,345
Interest costs	55,083	45,854
Contributions by Members	9,680	9,218
Actuarial (gains) / losses	-104,004	375,500
Past service costs	-112,330	153
Settlements and curtailments	908	499
Liabilities extinguished on settlements	-	-
Assets acquired in a business combination	-	-
Exchange differences	-	-
Estimated unfunded benefits paid	-3,099	-3,029
Estimated benefits paid	-30,988	-23,837
<b>Closing defined benefit obligation</b>	<b>930,328</b>	<b>1,085,070</b>

## Fair value of employer assets

	2010-11 £000	2009-10 £000
<b>Opening fair value of employer assets</b>	<b>575,531</b>	<b>424,936</b>
Expected return on scheme assets	41,107	27,109
Member contributions	9,680	9,218
Employer contributions	29,145	25,683
Contributions in respect of unfunded benefits	3,099	3,029
Actuarial (gains) / losses	-2,623	112,422
Assets distributed on settlements	-	-
Assets acquired in a business combination	-	-
Exchange differences	-	-
Unfunded benefits paid	-3,099	-3,029
Benefits paid	-30,988	-23,837
<b>Closing fair value of employer assets</b>	<b>621,852</b>	<b>575,531</b>

## Expense recognition in the Income & Expenditure account

	2010-11 £000	2009-10 £000
Current service cost	30,008	15,345
Interest costs	55,083	45,854
Expected return on scheme assets	-41,107	-27,109
Past service costs	-112,330	153
Losses on curtailments and settlements	908	499
<b>Total</b>	<b>-67,438</b>	<b>34,742</b>



# NOTES TO THE CORE FINANCIAL STATEMENTS

## Major categories of scheme assets as a % of total assets

	2010-11 £000	2009-10 £000
Equities	73%	72%
Bonds	15%	15%
Property	8%	8%
Cash	4%	5%

## History of experience gains and losses

	2010-11 £000	2009-10 £000	2008-09 £000	2007-08 £000	2006-07 £000
Fair value of employer assets	621,852	575,531	424,936	514,277	527,904
Present value of defined benefit obligation	-930,328	-1,085,070	-665,367	-674,744	-713,967
Surplus / (deficit)	-308,476	-509,539	-240,431	-160,467	-186,063
Experience gains / (losses) on assets	2,623	112,422	-134,945	-53,871	5,029
Experience gains / (losses) on assets (%)	0.4%	19.5%	-31.8%	-10.5%	1.0%
Experience gains / (losses) on liabilities	-13,140	-2,905	1,048	-28,363	-323
Experience gains / (losses) on liabilities (%)	1.4%	0.3%	-0.2%	4.2%	0.0%
<b>Amount recognised in Statement of Total Recognised Gains and Losses (STRGL)</b>					
Actuarial gains / (losses)	101,381	-263,078	-71,096	28,273	45,090
Increase / (decrease) in irrecoverable surplus from membership	-	-	-	-	-
Actuarial gains / (losses) recognised in STRGL	101,381	-263,078	-71,096	28,273	45,090
Actuarial gains / (losses) as % of liabilities	10.9%	24.2%	10.7%	-4.2%	-6.3%
<b>Cumulative actuarial gains and losses</b>	<b>-290,474</b>	<b>-391,855</b>	<b>-128,777</b>	<b>-57,681</b>	<b>-85,954</b>

The actual return on scheme assets in 2010-11 was £37,101,000 (£139,531,000 in 2009-10).

## Actuarial assumptions

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation at 31 March 2007 and updated by the Council's actuaries. The main assumptions used in the calculations are as follows:

# NOTES TO THE CORE FINANCIAL STATEMENTS

	2010-11 %	2009-10 %
Price/ pension increases	2.8%	3.8
Salary increases	5.1%	5.3
Expected return on assets	6.8%	7.1
Discount rate	5.5%	5.5
Investment return:		
Equities	7.5%	7.8
Bonds	4.9%	5.0
Property	5.5%	5.8
Cash	4.6%	4.8

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period.

The average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.0 years	23.8 years
Future Pensioners	22.9 years	25.7 years

## 2011-12 Projection

It is expected that employer's contributions for the year to 31 March 2012 will be approximately £28,563,700.

## Pension schemes costs

The revenue account includes an employer contribution of £23m to the teachers defined benefit pension scheme at a rate of 14.1% of salary. The capital cost of unfunded benefits for both the Teachers & the Local Government Pension Scheme is charged to the revenue account.

## 42. CONTINGENT LIABILITIES

The Council is subject to a number of legal claims and actions. Only some of these claims and actions are expected to lead to any liabilities or losses being incurred by the Council.

The likely liability and loss to the Council arising from legal claims and actions is determined on an actuarial basis, based on prior years' experience and details of known claims and actions. Appropriate amounts are set aside within the Insurance Reserve to cover the assessed likely cost of such matters over the period in which they are likely to be settled. Provision is made in the Balance Sheet for those claims and actions where the Council can reasonably foresee that liabilities or losses will be incurred.

The assessment of the likely liability and loss to the Council necessarily involves assumptions as to the likely outcome of claims and actions and the nature and extent of events which may have occurred at the Balance Sheet date, but of which the Council is not yet aware.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Accordingly, the actual liabilities arising from events that have occurred prior to the Balance Sheet date could exceed or be less than the amount that has been set aside to cover such matters.

The Council is currently in dispute with the contractor (BAM Nuttall) who delivered the Guided Busway capital scheme. The dispute relates to the total value and timing of payments made to the contractor for work undertaken. However, it is not practicable to estimate with any degree of certainty, the potential liability that may be incurred by the Council in the eventuality that legal action arises as a result of this dispute. The issues involved in this matter are complex and negotiations and dispute resolution processes are in their early stages. Moreover, professional and legal advice continues to indicate that the final cost to the Council of delivering the project will be within the budget available for it. As a result, no amounts have been included in the accounts for these potential liabilities.

### **Municipal Mutual Insurance (MMI)**

In 1992-93 the Council's insurers, MMI, ceased taking new business and are now being managed under a "scheme of arrangement". The amount paid to the Council plus the amount outstanding under this arrangement is £12.6m. It is possible that a proportion of this may need to be repaid or will not be receivable by the Council if the scheme of arrangement is triggered by insolvency. The Council's appointed actuary carried out an assessment of the Council's potential liability based on MMI's report and Accounts of 2009. The actuary assessed that at that time, the Council's potential liability in the event that solvent run-off is not achieved would be £942k. The Chairman of the Board of Directors still predicts a 'solvent run-off' and that all agreed claims will be paid in full.

### **43. CONTINGENT ASSETS**

The Council currently has no contingent assets.

### **44. NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS**

#### **Overall Procedures for Managing Risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework detailed in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the *CIPFA Prudential Code*, the *CIPFA Treasury Management in the Public Services Code of Practice* and investment guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance prudential indicators for the following three years limiting:
  - ▶ The Council's overall borrowing;
  - ▶ Its maximum and minimum exposures to fixed and variable rates;
  - ▶ Its maximum and minimum for exposures to the maturity structure of its debt;
  - ▶ Its maximum annual exposures to investments maturing beyond a year.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- By approving an Investment Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual council tax setting budget or before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance against the prudential indicators is reported to Members as part of the outturn report at the end of each financial year.

The annual Treasury Management Strategy, which incorporates the prudential indicators, was approved by Council on 16<sup>th</sup> February 2010 and is available on the Council's website. The key issues within the Strategy were:

- The Authorised Limit for the 2010/11 was set at £495m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £465m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 20% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are outlined in the following table:

	%
<b>Debt maturity (lower/upper limits as % of debt)</b>	
Less than 1 year	0 – 40
1-2 years	0 – 20
2-5 years	0 – 20
5-10 years	0 – 20
Over 10 years	50 – 100

These policies are implemented by the treasury team. The Council maintains a written Treasury Management Manual that contains policies for overall risk management as well as specific areas such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

### **Credit risk – the possibility that other parties might fail to pay amounts due to the Council**

This risk is minimised through the Treasury Management Strategy, which requires that all investments are either short-term sterling cash deposits, or deposits in money market funds. Given the risks involved in making deposits in foreign banks, and the low level of cash investments relative to other local authorities, a restricted list of UK lenders is sufficient to

## NOTES TO THE CORE FINANCIAL STATEMENTS

provide a diversification against risk whilst providing the opportunity for earning a market rate of interest.

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Customers for the Council's goods and services are assessed for their ability to pay in accordance with parameters set by the Council. The Council does not allow credit for its trade debtors beyond the standard 30-day period and makes prudent financial provision for bad debts based on an assessment of each type of debt and the age of those debts.

Outstanding invoices can be analysed by age as follows:

	31 March 2011 £000	31 March 2010 £000
Less than three months	13,947	14,140
Three to six months	440	753
Six months to one year	373	457
More than one year	1,126	1,083
<b>Total</b>	<b>15,886</b>	<b>16,433</b>

During the reporting period the Council held no collateral as security.

Liquidity risk – the possibility that the Council might not have funds to meet its commitments to make payments

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategies reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and whilst the Public Works Loan Board (PWLB) provides access to longer-term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council is also required to provide a balanced budget through the *Local Government Finance Act 1992*, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity profile of loans raised is spread over a period of up to 70 years to mitigate the risk of encountering difficulties in raising liquidity on favourable terms in any one year. The team



## NOTES TO THE CORE FINANCIAL STATEMENTS

monitor the maturity profile and amend it accordingly through either new borrowing or the rescheduling of the existing debt.

The maturity analysis of financial liabilities is as follows (note: this reflects loan principal, but not accrued interest):

	31 March 2011 £000	31 March 2010 £000
Less than one year	59,200	29,450
Between one and two years	-	10,000
Between two and five years	23,043	-
Between five and ten years	13,182	15,486
More than ten years	235,918	241,657
<b>Total</b>	<b>331,343</b>	<b>296,593</b>
<b>Average maturity of long term loans</b>	<b>32.84 years</b>	<b>34.22 years</b>

All trade and other payables are due to be paid in less than one year and are not shown in the table above. Also not included above is the maturity analysis of the PFI financing liability as that information is given in Note 38.

Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

### Interest rate risk

The Council is exposed to interest rate movements on its borrowings which have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account would rise;
- Borrowings at fixed rates – the fair value of the borrowing would fall.

The Council currently have no variable rate borrowings, therefore changes in interest rates will have no impact on the carrying value of the Council's borrowings. However, the impact of a 1% increase in interest rates would reduce the fair value of fixed rate borrowings by £38.7m. The impact of a 1% reduction would increase the fair value of fixed rate borrowings by £50.8m.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable on variable rate borrowings will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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The Council has a number of strategies for managing interest rate risk. The Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately.

### Price risk

The Council, excluding the pension fund, does not invest in equity shares or marketable bonds.

### Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

# PENSION FUND

## INTRODUCTION

The Cambridgeshire County Council Pension Fund is governed by the Local Government Pension Scheme Regulations 1997 (as amended). The fund provides pensions and other benefits for those employees of both the County and the District Councils, and for other scheduled and admitted bodies to the fund (listed on pages 71 to 73), who are eligible and choose to join it. The fund does not provide pensions for teachers or uniformed police and fire officers for whom separate pension arrangements exist.

The County Council as administering authority is responsible for the management of the fund in accordance with the LGPS Regulations and other relevant legislation.

Detailed Regulations govern the rates of contributions by both employees and employing bodies. Benefits are normally in the form of a lump sum payment plus a pension, which is increased annually for inflation.

The investment policy of the fund is designed to maximise growth so as to meet future liabilities, and is governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended). The adequacy of the assets of the fund to meet future liabilities is assessed every three years by the Council's consulting actuary, and employers' contributions are reviewed in the light of his report.

Decisions on the overall investment policy of the fund are made by the Pensions Committee which consists of three County Councillors, a Peterborough City Councillor, a District Councillor representing all other participating bodies, and an employee representative in accordance with the

Council's Constitution. The Committee is advised by firms of investment managers, who undertake the investment of the fund within the approved policy, and an investment adviser.

Further details of the Pension Fund are published in a separate annual report which is available on request from the Corporate Finance Section, Shire Hall.

## BASIS OF PREPARATION

The accounts have been prepared in accordance with the accounting recommendations of the Financial Reports of Pension Schemes, a Statement of Recommended Practice (revised May 2008). Disclosures in the accounts have been limited to those required by the Code of Practice on local authority accounting in the UK, a Statement of Recommended Practice 2009.

The accounts summarise the transactions of the scheme and the net assets of the fund.

The accounts do not reflect obligations to pay pensions and benefits that fall due after the financial year.

## ACCOUNTING POLICIES

The following principal accounting policies, which have been applied consistently, have been adopted in the preparation of the financial statements:

## INVESTMENTS

Equities traded through the Stock Exchange Electronic Trading Service SETS are valued on the basis of the latest bid market price. Other quoted investments are valued on the basis of the bid-market value quoted on the relevant stock market.

## PENSION FUND

Unquoted securities are valued by the fund managers at the year-end in accordance with generally accepted guidelines.

The value of fixed interest investments in the Scheme's investment portfolio includes interest earned but not paid over at the Scheme year-end.

Acquisition costs are included in the purchase cost of investments.

Futures are valued at the closing market price published by the relevant futures exchange (e.g. London International Financial Futures Exchange).

Forward foreign exchange contracts are over the counter contracts and are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

### INVESTMENT INCOME

Income from equities is accounted for on the date stocks are quoted ex-dividend. Income from overseas investments is recorded gross of any withholding tax where this cannot be recovered. Irrecoverable withholding tax is shown separately in the Fund Account.

Income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis.

Income from other investments is accounted for on an accruals basis.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of

investments and unrealised changes in market value.

### FOREIGN CURRENCIES

Where forward exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Income from overseas investments is translated into sterling at an average rate for the period. Foreign exchange gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

### CONTRIBUTIONS

Normal contributions, both from employees and from employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate. Additional contributions from the employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received.

### BENEFITS PAYABLE

Under the Local Government Pension Scheme Regulations, retirees are entitled to a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member chooses to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised.

Other benefits are accounted for on the date the member leaves the scheme or on death.

## PENSION FUND

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### TRANSFERS TO AND FROM OTHER SCHEMES

Transfer values represent the capital sums either received in respect of members from other pension schemes of previous employers or paid to the pension schemes of new employers for members who have left the scheme. They take account of transfers where the trustees of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year-end, and where the amount of the transfer can be determined with reasonable certainty. Transfer values are normally accounted for on a payment/receipts basis since not only do they frequently apply to several past years, but, in the case of transfer values due, information is not available at the year end on which to make an accrual.

### OTHER EXPENSES

Administration and investment management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT.

A proportion of relevant officers' salaries have been charged to the Fund on the basis of time spent on investment related matters and pension administration.



# PENSION FUND ACCOUNT

Notes	2010-11		2009-10	
	£000	£000	£000	£000
<b>CONTRIBUTIONS AND BENEFITS</b>				
1 <b>Contributions receivable:</b>				
Employers:				
- Normal	55,599		51,285	
- Deficit funding	14,634		13,745	
- Other	4,063		2,490	
Employees:				
- Normal	24,763		24,878	
Transfers in from other schemes:				
- Individual transfers	8,371		13,094	
		107,430		105,492
1 <b>Benefits payable:</b>				
Pensions	-51,139		-48,688	
Commutation of pensions and lump sum retirement benefits	-15,776		-15,529	
Lump sum death benefits	-1,066		-1,515	
Payments to and on account of leavers:				
13 - Individual transfers out to other schemes	-20,256		-5,654	
- Refunds of contributions	-18		-22	
4 Administrative expenses	-2,116		-2,048	
		-90,371		-73,456
<b>NET ADDITIONS / WITHDRAWALS(-) FROM DEALING WITH MEMBERS</b>		17,059		32,036
<b>Return on investments:</b>				
5 Investment income	28,039		27,774	
Change in market value of investments (realised and unrealised)	79,359		332,034	
Taxation	-1,040		-887	
6 Investment management expenses	-5,840		-5,369	
<b>Net returns on investments</b>		100,518		353,552
<b>NET INCREASE / DECREASE(-) IN FUND VALUE</b>		117,577		385,588
<b>Opening net assets as at 1 April</b>		1,486,044		1,100,456
<b>CLOSING NET ASSETS AS AT 31 MARCH</b>		1,603,621		1,486,044

Contributions receivable are split between normal, deficit funding and other in accordance with the requirements of the Pensions Statement of Recommended Practice (SORP). Other employer's contributions relate to the payments for the cost of early retirements.

# PENSION FUND NET ASSET STATEMENT

Notes		31 March 2011 £000	31 March 2010 £000
<b>INVESTMENT ASSETS</b>			
Fixed Interest			
- UK Government		0	249
Equities:			
- UK listed		320,594	315,601
- UK unlisted		6,292	46
- Overseas listed		357,797	471,794
- Overseas unlisted		77,605	68,504
Pooled investment vehicles:			
- Managed funds			
-property		98,499	78,486
-other		403,006	220,175
- Unit trusts			
-property		30,610	32,117
-other		249,167	231,655
8 Derivative contracts		0	863
Cash deposits		24,089	30,900
Debtors			
- Investment Income		3,391	2,924
- Trades pending		1,665	6,213
<b>TOTAL INVESTMENTS</b>		<b>1,572,715</b>	<b>1,459,527</b>
<b>INVESTMENT LIABILITIES</b>			
8 - Derivative contracts		-469	-66
- Trades pending		-1,951	-4,034
- Fees		-553	-559
- Tax		-159	-33
		<b>-3,132</b>	<b>-4,692</b>
<b>CURRENT ASSETS</b>			
- Contributions due from employers		5,650	5,413
- Cash balances		29,381	27,467
		<b>35,031</b>	<b>32,880</b>
<b>CURRENT LIABILITIES</b>			
- Unpaid benefits		-993	-1,671
<b>7 NET ASSETS</b>		<b>1,603,621</b>	<b>1,486,044</b>

The accounts do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial position of the Scheme which takes into account these obligations is available on Cambridgeshire County Council's website.

# NOTES TO THE PENSION FUND ACCOUNTS

## 1. CONTRIBUTIONS AND BENEFITS

Other contributions are charges to employer for the cost of early retirements.

An analysis of the contributions and benefits over the different categories of participating Authorities is as follows:

	2010-11 £000	2009-10 £000
Contributions receivable:		
Administering Authority	39,863	36,679
Scheduled Bodies	51,375	48,505
Admitted Bodies	7,821	7,214
	<b>99,059</b>	<b>92,398</b>
Benefits payable:		
Administering Authority	28,000	26,825
Scheduled Bodies	34,009	32,921
Admitted Bodies	5,972	5,986
	<b>67,981</b>	<b>65,732</b>

## 2. NUMBER OF CONTRIBUTORS AND PENSIONERS

	31 March 2011				31 March 2010 Total
	County Council	Scheduled Bodies	Admitted Bodies	Total	
Contributors	11,915	9,410	1,712	<b>23,037</b>	23,373
Pensioners	6,467	5,549	1,037	<b>13,053</b>	12,325
Deferred Benefits	13,475	10,096	1,360	<b>24,931</b>	24,303

## 3. ACTUARIAL VALUATION

The funding position of the Fund is assessed every three years by the Council's actuary who completed an actuarial valuation of the Fund using the Projected Unit Method. Employers' contributions are reviewed in the light of this report. The actuarial valuation at 31 March 2007 concluded that it was necessary to increase the average employers' contributions from 17.4% to 19.0%, phased in over a three year period from 1 April 2008. The market value of the Fund at the valuation date was £1,390m, and there was an actuarial deficit of £219m equivalent to a funding level of 86.4%. This deficit was spread over a period of 20 years. The assumptions used in the 2007 valuation were as follows: investment returns 6.1%; earnings growth 4.7%; price inflation 3.2% and discount rate 6.1%.

## 4. ADMINISTRATIVE EXPENSES

Administrative expenses include a charge made to the Fund by the County Council in respect of work undertaken on the payment of benefits on behalf of all admitted bodies.

# NOTES TO THE PENSION FUND ACCOUNTS

## 5. ANALYSIS OF INVESTMENT INCOME

	2010-11 £000	2009-10 £000
Fixed Interest	9	55
Dividends from equities	21,342	21,148
Pooled investment vehicles	5,240	5,178
Derivatives	377	663
Interest on cash deposits	375	241
Other (includes stock lending and underwriting)	696	489
	<b>28,039</b>	<b>27,774</b>

## 6. INVESTMENT MANAGEMENT EXPENSES

Includes fees charged by the fund's investment managers. These are calculated as a percentage of the assets under management.

## 7. INVESTMENT MANAGERS

The allocation of the fund over the Authority's investment managers and a reconciliation of the movements between the opening and closing market value is as follows:-

	31 March 2010	Purchases at Cost and Derivative Payments	Sales Proceeds and Derivative Receipts	Other Changes	31 March 2011	
	£000	£000	£000	£000	£000	%
Aberdeen Asset Management	45	0	0	-2	43	0
UBS Global Asset Management	155	0	0	-137	18	0
Schroders Investment Management	663,893	169,321	-158,305	27,184	702,093	43.8
State Street Global Asset Management	208,234	172,876	-2,510	22,986	401,586	25.0
Newton Investment Management	174,261	99,257	-93,963	7,835	187,390	11.7
RCM Investment Management	166,457	38,094	-197,184	-6,947	420	0
Credit Agricole Asset Management	167,684	89,954	-79,027	9,816	188,427	11.8
BNY Mellon (Transition manager)	1	285,021	-287,803	2,848	67	0
Private Equity	68,550	13,739	-3,925	5,533	83,897	5.2
Pension Fund Net Debtors	3,183	0	0	921	4,104	0.3
Cash with Council	27,467	0	0	1,914	29,381	1.8
Cash with custodian	6,114	0	0	81	6,195	0.4
	<b>1,486,044</b>	<b>868,262</b>	<b>822,717</b>	<b>72,032</b>	<b>1,603,621</b>	<b>100</b>
Equity Index futures transactions included above		46	-138			

Included within the balances held by the investment managers shown above are amounts in relation to cash and investment income debtors which are shown separately on the face of the net assets statement.

## NOTES TO THE PENSION FUND ACCOUNTS

The Fund holds the following investments in unit trusts/pooled vehicles which exceed 5% of the total fund value: Schroder Unit Trusts Ltd Institutional Sterling Bond Market Fund £84,677k at 31 March 2011 (£159,792k at 31 March 2010), State Street UK Equity Index Managed Pension Fund £184,301k at 31 March 2011 (£169,011k at 31 March 2010), Schroder Strategic Bond Fund at 31 March 2011 £84,031k, State Street North America Equity Index Managed Fund £81,206k at 31 March 2011. All pooled investment vehicles are operated by companies registered in the United Kingdom.

As at 31 March 2011 the fund has commitments to invest a further £89.9m in private equity investments in future years (£78.0m at 31 March 2010).

An analysis of "other movements" is as follows:

	£000
Change in market value of investments	79,359
Increase in cash and net debtors	-7,327
	<b>72,032</b>

The total of investment transaction costs incurred in the year was £471,000 (£641,000 2009/10).

### 8. DERIVATIVE CONTRACTS

There were no derivative contract assets at 31 March 2011. Derivatives are held as a flexible alternative to holding the underlying securities. There was also no amount outstanding in respect of future foreign exchange contracts. Derivative contract liabilities include £0.469m outstanding on future foreign exchange contracts. Forward foreign exchange contracts are used to hedge against the currency risk of the Fund's overseas investments. Forward foreign exchange contracts are over the counter contracts and are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date. The use of these contracts results in an exposure to the foreign exchange markets. The exposure at 31 March 2011 included forward sales of £38.6m in Euros and other foreign currencies and forward purchases totalling £20.8m.

### 9. STOCK LENDING

The total amount of stock released to a third party under a stock lending arrangement was £47,078,000 at 31 March 2011 (£32,713,000 at 31 March 2010). Collateral is held in the form of a letter of credit or AA+ rated bond.

### 10. ADDITIONAL VOLUNTARY CONTRIBUTIONS

The amount of additional voluntary contributions (AVCs) paid by members during the year was £1,023,000 (£790,000 in 2009-10) and the value of investments was £5,464,000 at 31 March 2011 (£4,817,000 at 31 March 2010). AVCs are not included in the pension fund accounts in



# NOTES TO THE PENSION FUND ACCOUNTS

accordance with Regulation 5(2)(c) of the Pensions Schemes (Management and Investment of Funds) Regulations 1998.

## 11. A STATEMENT OF INVESTMENT PRINCIPLES

A Statement of Investment Principles is published in the Pension Fund Annual Report, which is available from the Corporate Finance Section, Shire Hall.

## 12. RELATED PARTY TRANSACTIONS

Under FRS8 "Related Party Disclosures" it is a requirement that material transactions with related parties, not disclosed elsewhere, should be included in a note to the financial statements. During the year, no Pensions Committee members have undertaken any material transactions with the Cambridgeshire County Council Pension Fund. A cash deposit of £29,381,000 with the County Council was outstanding at 31 March 2011 (£27,467,000 at 31 March 2010).

There were no material contributions due from employer bodies at the year-end, which remained outstanding after the due date for payment.

There are no other related party transactions other than those already disclosed in the County Council's Accounts.

## 13. MAGISTRATES TRANSFER

With effect from 1 April 2005, 71 employees of the Cambridgeshire Magistrates Courts transferred out of Cambridgeshire County Council Local Government Pension Scheme as part of a national transfer of the Magistrates Courts out of Local Government schemes. However, the fund has retained the liability for the Magistrates pensioners and deferred pensioners. An assessment of the transfer by the scheme's actuary, which was agreed by the Government Actuary's Department in March 2011, has resulted in an annual amount of £632k to be paid by the Ministry of Justice (former Department for Constitutional Affairs) to the Fund as the valuation of the transfer out was less than the retained liability. Annual payments will commence in April 2011.

## 14. ORGANISATIONS PARTICIPATING IN THE PENSION FUND AS AT 31 MARCH 2010

### SCHEDULED BODIES:

Cambridgeshire County Council  
Peterborough City Council  
Cambridge City Council  
East Cambridgeshire District Council  
Fenland District Council  
South Cambridgeshire District Council  
Huntingdonshire District Council

### Town Councils

Sutton Parish Council  
Thorney Parish Council  
Tydd St Giles Parish Council  
Waterbeach Parish Council  
Wimblington Parish Council  
Yaxley Parish Council

### Internal Drainage Boards

Burnt Fen IDB  
Drysides IDB

# NOTES TO THE PENSION FUND ACCOUNTS

Chatteris Town Council  
City of Ely Council  
Huntingdon Town Council  
Ramsey Town Council  
Soham Town Council  
St. Ives Town Council  
St. Neots Town Council  
Wisbech Town Council

## **Parish Councils**

Bretton Parish Council  
Burwell Parish Council  
Cambourne Parish Council  
Doddington Parish Council  
Eye Parish Council  
Fulbourn Parish Council  
Gamlingay Parish Council  
Girton Parish Council  
Haddenham Parish Council  
Hardwick Parish Council  
Histon & Impington Recreation Ground Committee  
Histon Parish Council  
Holywell-cum-Needlingworth Parish Council  
Impington Parish Council  
Kimbolton & Stonely Parish Council  
Linton Parish Council  
Little Downham Parish Council  
Little Paxton Parish Council  
Littleport Parish Council  
Manea Parish Council  
Mepal Parish Council  
Milton Parish Council  
Sawston Parish Council  
Sawtry Parish Council  
Somersham Parish Council  
Huntingdonshire Regional College  
Isle College, Wisbech  
Kings School Academy  
Linton Village College Academy  
Long Road Sixth Form College  
Ormiston Bushfield Academy  
Peterborough Regional College  
The College of West Anglia

Feldale IDB  
Haddenham Level Commissioners  
Holmewood & Stilton IDB  
Littleport & Downham IDB  
March East IDB  
March Fifth IDB  
March Sixth IDB  
March Third IDB  
Maxey IDB March & Whittlesey IDB  
Middle Fen & Mere IDB  
Middle Level Commissioners  
North Level IDB  
Old West IDB  
Padnal and Waterden IDB  
Ransonmoor IDB  
Swaffham IDB  
Waterbeach Level IDB  
White Fen IDB  
Whittlesey Fifth IDB  
Whittlesey IDB  
Yaxley IDB

## **Other Organisations**

Anglia Polytechnic University  
Authur Mellows Village College Academy  
Cambridge Regional College  
Cambridgeshire & Peterborough Fire Authority  
Cambridgeshire Association of Local Councils  
Cambridgeshire Magistrates' Courts Committee  
Cambridgeshire Police Authority  
Cambridgeshire Probation Committee  
Cambridgeshire Valuation Tribunal  
Crosshall Infant School Academy Trust  
Crosshall Junior Schools Academy Trust  
Hills Road Sixth Form College  
Home Close  
Home Meadow  
Homerton College  
Homerton School of Health Studies  
Hughes Hall  
Huntingdonshire Citizens' Advice Bureau  
Huntingdonshire Housing Partnership  
Innovative Services Ltd

# NOTES TO THE PENSION FUND ACCOUNTS

Thomas Deacon Academy

## **ADMITTED BODIES:**

Aaron Services Limited

ADEC

Advanced Cleaning Services

APS Limited

Avocet Cleaning Services

Bowthorpe Hall Centre

Cambridge & County Folk Museum

Cambridge Institute of Education

Cambridge Sports Hall Trust Limited

Cambridge Sports Lake Trust

Cambridge Water Company

Cambridgeshire Alcohol Advisory Service

Cambridgeshire Association for Social Welfare

Cambridgeshire Information & Technology Centre

Cambridgeshire PCT

Cambridgeshire Society for Mentally Handicapped Children

Cambridgeshire Society for the Blind

Caterlink Limited

Centre 33

Commissions East Ltd

Conservators of the River Cam

CRI

Cross Keys Housing Association

CSCI

Cucina Ltd

East of England Regional Control Centre

Eastern Arts Board

Eastern Provincial Council for Local Authorities

Ecovert

Edwards and Blake Limited

Ely Museum

Ethelred House

Exelcare

Friends Therapeutic Community

Hereward Housing Association

The Westgate and Petros Project

Trojan Commercial Cleaning Contracts Limited

Turning the Red Lights Green

Wisbech & Fenland Museum

Wisbech Grammar School

ITNET

Kimbolton School

Lunchtime UK Limited

M.D.A (Europe)

Mears Group

Mepal Outdoor Centre

Methodist Homes

MITIE Facilities Management

Nene Valley Research Committee

Ormiston Trust

Orton Family Centre

Oxford Archaeology

Perse School for Girls

Peterborough College of Adult Education (PCAE)

Peterborough Council for Community Relations

Peterborough Council for Voluntary Service

Peterborough Cultural and Leisure Trust

Peterborough Development Corporation

Peterborough PCT

Peterborough Youth Stadium

Railway House Association

Relations

Roddens Housing Association

Romsey Town Churches Youth & Community Centre

Screen East

Serco

Service

Sport and Leisure Management

St Columba Centre

St Martin's Day Centre

St Neots Museum Ltd

St Raphael Club

Taylor Shaw Ltd

Tennant Support Service Company Ltd

The Cresset

The Farmland Museum

The Hillings

## MEMBERS' ALLOWANCES

Details of allowances paid to Members of the Council in 2010-11:

Name	Basic Rate Allowance	Special Responsibility Allowance	Carers Allowance	Total	Expenses
	(£)	(£)	(£)	(£)	(£)
AUSTEN S	7,610	-	-	7,610	880
BATCHELOR JD	7,610	-	-	7,610	1,324
BATES IC	7,610	-	-	7,610	189
BELL NC	7,610	7,930	-	15,540	680
BOURKE K	7,610	5,811	-	13,421	70
BROOKS-GORDON B	7,610	-	708	8,318	-
BROWN D	7,610	-	-	7,610	2,379
BROWN F	7,610	-	-	7,610	672
BROWN PR	7,610	8,898	-	16,508	5,455
BUTCHER TR	7,610	-	-	7,610	4,082
CARTER C	7,610	-	-	7,610	-
CHURCHILL KJ	7,610	-	-	7,610	1,332
CLARK J	7,610	-	-	7,610	2,272
CLARKE N	7,610	4,772	-	12,382	2,065
CRISWELL SJ	7,610	8,898	-	16,508	2,516
CURTIS MJ	7,610	14,460	-	22,070	17,964
DOWNES PJ	7,610	9,079	-	16,689	4,231
DUTTON JJ	7,610	-	-	7,610	968
FARRER RS	7,610	-	-	7,610	-
GUYATT N	7,610	-	-	7,610	-
GYMER S	7,610	-	-	7,610	-
HARPER GF	7,610	-	-	7,610	2,437
HARRISON NJ	7,610	4,867	-	12,477	318
HARTY D	7,610	8,898	-	16,508	6,854
HEATHCOCK GJ	7,610	6,674	-	14,284	272
HUTTON C	7,610	-	-	7,610	2,856
HOY S	6,976	338	-	7,314	1,887
HUNT WT	7,610	-	-	7,610	1,797
JENKINS JD	7,610	5,221	-	12,831	1,643
JOHNSTONE SF	7,610	6,674	-	14,284	4,314
KADIC EV	7,610	1,390	-	9,000	253
KENNEY CG	7,610	381	-	7,991	403
KINDERSLEY SGM	7,610	381	-	7,991	-
KING SJ	7,610	742	-	8,352	6,741
LUCAS V	7,610	1,205	-	8,815	3,148
MANNING I	4,101	-	-	4,101	-

## MEMBERS' ALLOWANCES

Name	Basic Rate Allowance	Special Responsibility Allowance	Carers Allowance	Total	Expenses
	(£)	(£)	(£)	(£)	(£)
MCGUIRE LW	7,610	16,685	-	24,295	6,598
MCGUIRE V	7,610	-	-	7,610	-
MELTON A	7,610	-	-	7,610	-
MOSS-ECCARDT RWG	7,610	977	-	8,587	245
NETHSINGHA L	7,610	4,149	136	11,894	41
OLIVER L	7,610	-	-	7,610	1,474
ORGE E AG	7,610	8,898	-	16,508	-
PALMER J	7,610	-	-	7,610	2,399
PEGRAM DR	7,610	14,460	-	22,070	5,655
PELLEW A	7,610	-	-	7,610	-
POWLEY JA	7,610	-	-	7,610	2,503
READ PAE	7,610	4,449	-	12,059	2,464
REEVE P	7,610	-	-	7,610	-
REYNOLDS JE	7,610	14,460	-	22,070	4,718
REYNOLDS KA	7,610	-	-	7,610	2,690
SADIQ T	7,610	-	-	7,610	165
SEDGWICK S	7,610	-	-	7,610	-
SHEPHERD C	7,610	-	-	7,610	-
SHUTER MG	7,610	6,674	-	14,284	797
SMITH M	7,610	-	-	7,610	1,239
STONE TJ	7,610	4,449	-	12,059	1,481
TIERNEY S	7,610	-	-	7,610	3,391
TUCK JM	7,610	22,246	-	29,856	11,536
VAN DE VEN S	7,610	3,172	-	10,782	735
WEST JF	5,073	-	-	5,073	5,691
WEST R	7,610	-	-	7,610	1,400
WHELAN F	7,610	11,749	22	19,381	463
WHITEBREAD S	7,610	2,715	-	10,325	-
WIJSENBECK S	3,232	-	-	3,232	32
WILKINS K	7,610	5,095	-	12,705	-
WILLIAMSON RM	7,610	977	-	8,587	189
WILSON G	7,610	-	-	7,610	1,086
WILSON LJ	7,610	-	-	7,610	-
YEULETT FH	6,976	14,460	-	21,436	10,505
	<b>521,011</b>	<b>232,232</b>	<b>865</b>	<b>754,108</b>	<b>147,500</b>



## GLOSSARY

### ACCRUAL

An amount to cover income or spending that belongs to the accounting period, which was outstanding at the accounting date.

### ACCUMULATED ABSENCES ACCOUNT

An unusable reserve which absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

### ACTUARIAL BASIS

Valuations performed by an actuary relating to a pension scheme's assets and liabilities.

### ACTUARY

An expert on pension scheme assets and liabilities.

### AGENCY SERVICES

The provision of services by one Authority on behalf of, and reimbursed by, the responsible Authority.

### AMORTISATION

The process of reducing the value of an asset or liability over its useful life.

### AREA BASED GRANT

Area Based Grant is a general grant allocated directly to local authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae. This is non-ringfenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

### AVAILABLE FOR SALE RESERVE

A reserve to record unrealised revaluation gains arising from holding available for sale investments, plus any unrealised losses that have not arisen from asset impairments.

### BALANCE SHEET

A summary of financial position showing the assets and liabilities recognised by the Council, matched by the level of reserves held.

### BALANCES

The accumulated surplus of income over expenditure on the General Fund (see later).

### BUDGET

A statement defining the Council's policy over a specified period expressed in financial terms and including other performance and statistical data.

### BUILDING SCHOOLS FOR THE FUTURE (BSF)

A national programme to bring all secondary schools up to modern standards over the next 15-20 years.

### CAPITAL CHARGE

A charge to service revenue accounts to reflect the depreciation cost of fixed assets used in the provision of services.

### CAPITAL ADJUSTMENT ACCOUNT

An account that reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

### CAPITAL FINANCING REQUIREMENT

A notional amount of debt which determines the Minimum Revenue Provision.

### CAPITAL GRANTS

Grants received towards capital spending (see next) on a particular service or project.

### CAPITAL SPENDING

Payments made for the acquisition or provision of assets which will be of long-

## GLOSSARY

term value to the Council e.g. land, buildings and equipment.

### CAPITAL RECEIPTS

Proceeds from the sale of capital assets such as land or buildings. They are available to finance new capital outlay and to repay existing loan debt.

### CARRY FORWARDS

Directorates, Schools and Trading Units are permitted/required to transfer any underspending or overspending into the next financial year.

### CASH EQUIVALENTS

Assets which are readily convertible into cash.

### CONTINGENT ASSETS AND LIABILITIES

Are assets and liabilities that may or may not be incurred depending on the outcome of a future event.

### CORPORATE AND DEMOCRATIC CORE

Income and expenditure relating to the Corporate management and democratic processes of the Council.

### CREDITORS

Amounts owed by the Council for work done, goods received, or services rendered but for which payment had not been made at the date of the Balance Sheet.

### CREDITS (PFI)

A measure of private sector investment that will be supported by central government grant and acts as a promise that PFI grant can be claimed once a PFI project is operational.

### CURRENT ASSETS

Short-term assets such as inventories, debtors and bank balances.

### CURRENT LIABILITIES

Amounts owed which are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

### DEBTORS

Sums of money due to the Council but unpaid at the Balance Sheet date.

### DEFICIT

An outcome as a result of taking away all expenses from income.

### DEPRECIATION

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset.

### EARMARKED RESERVE

An earmarked reserve is money set aside for a specific purpose.

### EVENTS AFTER THE BALANCE SHEET DATE

Events occurring between the Balance Sheet date and the date on which the Accounts are signed by the Corporate Director (Finance, Property and Performance), which have a significant impact on the Council's finances.

### FINANCIAL INSTRUMENTS

Contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

### FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

An account to manage the imbalance between accounting rules and statutory provisions for charging amounts to the general fund. The "balancing" entry for each of the adjustments for the Financial Instruments will constitute a new reserve on the Balance Sheet called "Financial

## GLOSSARY

Instruments Adjustment Account". This reserve is not a usable reserve.

### **FIXED ASSETS**

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

### **GENERAL FUND**

The main revenue fund of the Council. Council tax precepts and Government grants are paid into the fund, from which the cost of providing services is met.

### **GOVERNMENT GRANTS**

Payments by Central Government towards Local Authority spending. They may be specific to a particular service e.g. Education or Social Services; or general.

### **IMPAIRMENT**

A reduction in the value of an asset from its previous value in the accounts.

### **INCOME**

Amounts which the Council receives, or expects to receive, from any source. Income includes fees, charges, sales, government grants and precept. The term income implies that the figures concerned relate to amounts due in a financial year irrespective of whether or not they have been received in that period.

### **INFRASTRUCTURE ASSETS**

Assets such as roads and bridges.

### **INTANGIBLE ASSETS**

Non-monetary assets that cannot be seen, touched or physically measured, but can be identified as a separate asset.

### **INTERNAL CONTROLS**

Procedures or systems designed to promote efficiency, assure policy implementation, safeguard assets and avoid fraud and error.

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

### **INVENTORIES**

Goods bought but have not been used.

### **LOCAL AREA AGREEMENT**

Local Area Agreements (LAAs) set out the priorities for a local area agreed between central government and a local area (the Local Authority and Local Strategic Partnership) and other key partners at the local level.

### **LOCAL GOVERNMENT SHARED SERVICES**

A partnership between Cambridgeshire and Northamptonshire County Councils to create a wholly owned public sector organisation to deliver professional and transactional support services.

### **MINIMUM REVENUE PROVISION**

The minimum amount which must be charged to revenue in the year for the repayment of debt.

### **NET BOOK VALUE**

The depreciated value of an asset.

### **NON-DISTRIBUTED COSTS**

Costs that cannot be specifically applied to a service and are held centrally.

### **POOLED BUDGET**

A partnership where participants aggregate funds to work collaboratively to address specific issues.

### **PRECEPT**

The cash sum levied by one Authority in relation to council tax, which is collected by

## GLOSSARY

another (a billing Authority). The County Council is the precepting Authority and the District Councils are the billing authorities, acting as an agent for the Council.

### PRIVATE FINANCE INITIATIVE (PFI)

A form of partnership between the private and public sector which is normally used for high risk / high value contracts for delivering capital assets for the provision of public services. The private sector designs, builds and maintains infrastructure and other capital assets and then operates those assets in return for annual payments to sell services to the public sector.

### PROPERTY, PLANT & EQUIPMENT

A non-current asset or fixed asset item which cannot easily be converted into cash.

### PROVISION

An amount set aside for liabilities, which are known to exist, but which cannot be definitively measured at the date of the accounts.

### PRUDENTIAL BORROWING

Borrowing which is financed from the Council's own resources and conforms to the Prudential Code.

### PUBLIC WORKS LOAN BOARD

A government body set up specifically to lend money to local authorities.

### RELATED PARTY

a person or an organisation which has influence over another person or organisation.

### RESERVES

Amounts set aside for particular purposes but which do not conform to the definition for provisions. Movements in reserves are not part of service expenditure.

### REVALUATION RESERVE

A reserve for amounts arising from the appreciated value of property; the difference between the former book value of property on the Balance Sheet and the present (revalued) book value of the property. The Revaluation Reserve will record the sum of the net gains (if any) on a property-by-property basis from revaluations made after 1 April 2007.

### REVENUE CONTRIBUTIONS

The shortened form of Revenue Contributions to Capital Outlay (often abbreviated as RCCO). It refers to the financing of capital spending directly from revenue, rather than loan or other sources.

### REVENUE EXPENDITURE

The day-to-day spending of the Council on such items as employees, office running costs, and the purchase of services.

### REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure that legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset.

### REVENUE SUPPORT GRANT (RSG)

The general grant paid by Central Government to aid Local Authority spending generally.

### SURPLUS

An outcome as a result of taking away all expenses from income.

### TREASURY MANAGEMENT

A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

## GLOSSARY

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### TRUST FUNDS

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

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